



CITY OF FAIRFAX, VIRGINIA

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDING
JUNE 30, 2023**

CITY OF FAIRFAX, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

Prepared by
Department of Finance
Romelyn Guzman, Acting Director of Finance

CITY OF FAIRFAX, VIRGINIA

Annual Comprehensive Financial Report Year Ended June 30, 2023

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City of Fairfax, Virginia

10455 Armstrong Street • Fairfax, VA 22030-3630
www.fairfaxva.gov

December 11, 2023

Honorable Mayor, Members of the City Council and Citizens
City of Fairfax
Commonwealth of Virginia

We are pleased to present the City of Fairfax's (the City) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the Governing Body. The ACFR fulfills this reporting requirement.

The financial statements included in this report, which have earned an unmodified ("clean") audit opinion, conform to the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and the Auditor of Public Accounts (APA).

City management is responsible for the accuracy, fairness and completeness of the information, including all disclosures that are presented in this report. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the City. All necessary disclosures have been included to enable the reader to gain a thorough understanding of the City's financial affairs.

City management is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by City management; and evaluating the overall financial statement presentation. The independent auditor's report is located at the front of the Financial Section of the ACFR.

Management's Discussion and Analysis (MD&A) is found immediately following the independent auditor's report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

FINANCIAL REPORTING ENTITY

This report includes the financial activities of the City government (the Primary Government), which are controlled by the Mayor and Council, as well as the financial activities of the City's component units. Component units are legally separate entities for which the primary government is financially accountable and, therefore, are included in the Primary Government's ACFR.

The City provides a full range of governmental services including law enforcement, emergency medical response, fire protection and fire code safety; maintenance of over 70 miles of roads; judicial services; health and social services; refuse; wastewater; planning and zoning services; parks, recreation and cultural activities; and general government administration services. These services are either provided by the City or through contracts with Fairfax County. In addition, the City provides inter-County and intra-City bus service. The City also operated its own water treatment and distribution system until January 2014, when the City sold its distribution system to Fairfax County Water Authority and its water treatment plant, reservoir, and dams to Loudoun County Water Authority, effectively divesting from the water treatment and distribution business.

Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The City of Fairfax School Board is presented in its own column for financial presentation purposes as a major component unit. The City's public school program is provided through an independent school district administered by a school board and superintendent that contracts with the Fairfax County Public School system for operating the four City schools - Fairfax High, Katherine Johnson Middle, Daniels Run Elementary, and Providence Elementary. The Industrial Development Authority and Economic Development Authority are combined in one column as non-major component units.

ORGANIZATION OF GOVERNMENT

The City is governed under the Council-Manager form of government since changing from Town status in 1961. As a Virginia City, it is independent, and not a part of any county. Under this form of government, a Mayor and six Council members are elected by the citizens every two years to provide direction to the locality. The City Council employs a City Manager who is the executive officer of the City and is responsible to the Council for the proper administration of the City government.

ECONOMIC CONDITION AND OUTLOOK

An independent jurisdiction of 6.34 square miles, just 15 miles west of Washington D.C., the City lies in the heart of Northern Virginia. Bounded by Interstate 66 to the north and less than five miles west of the Capital Beltway, the City is at the crossroads of the area's major north/south and east/west highways. Two major airports, Washington Dulles International Airport and Ronald Reagan National Airport, are within 30 minutes of the City. The City-run bus system provides direct access to rail mass transit at the Vienna/Fairfax/GMU Metro station, less than three miles from the center of the City.

Local Economy

The City's economy remains healthy and stable. The City's at-place workforce increased significantly and according to the US Bureau of Labor Statistics, the City of Fairfax was home to approximately 21,600 jobs in 2023. Like localities nationwide, Fairfax has seen an increase in workforce participation since the equivalent period in 2022, which still has lingering effects from COVID-19. The City's unemployment rate fell for a consecutive year, and was measured at 2.2%, well below state (3.0%) and national (3.4%) averages.

With 4.4 million square feet of office space, the City of Fairfax remains one of Northern Virginia's employment hubs. The City's office market currently has a 9.0% vacancy rate, lower than that of Fairfax County and of Northern Virginia as a whole. The retail market remains healthy, with a vacancy rate of only 2.3%, less than the regional average for retail vacancies.

ECONOMIC CONDITION AND OUTLOOK: (CONTINUED)

Local Economy: (Continued)

Four key revenue sources are bellwethers for the local economy - general property taxes, local sales and use tax, Business Professional and Occupational License (BPOL) taxes, and meals tax. General property assessments increased 5.9% (including new construction) from CY 2022 to CY 2023 and associated revenues increased by \$6.6 million in FY 2023 when compared to the prior year. FY 2023 BPOL tax revenues increased by \$1.2 million, while local sales and use tax revenue increased by \$0.35 million. Meals tax also increased significantly by \$1.3 million or 18.9% in FY 2023.

Economic Development Program

The Economic Development Office (EDO) seeks to foster an inclusive business community that is diverse and robust. In order to support a strong commercial tax base, the EDO develops programs that prioritize business attraction and retention, development, redevelopment, and strategic programming. The office also serves as a resource for developers and consultants with specific commercial, office, and industrial development projects providing assistance with site selection within the city. In addition to these services, the EDO works with the Economic Development Authority (EDA) to market and promote the city to the region and beyond as a healthy and business friendly environment and one that empowers businesses to grow. Together the EDO and the EDA collaborate as under the brand, Fairfax City Economic Development (ED).

Working in cooperation through partnerships with the Northern Virginia Economic Development Alliance, Central Fairfax Chamber of Commerce, Old Town Fairfax Business Association, George Mason University, and business and industry associations, ED leverages its resources and access to talent to maintain and enhance the city's business community while pursuing economic growth.

ED will continue to expand its programming and work with partners to ensure maximum impact. Beginning in the current fiscal year and continuing into the upcoming fiscal year, the ED team will begin implementation of the newly received Streetsense strategic work-plan which focus on, among other things, impact measurement, goal-oriented program development, and enhanced resource allocation.

As always, ED will continue to expand its small business support by working with local businesses, organizations, and the Mason Enterprise Center - Fairfax. Researching and implementing both small business programs and startup resources will allow ED to address challenges and disparities effecting small businesses, preserve neighborhoods, and support strong and resilient communities.

ED will continue to work with George Mason University to strengthen our partnership in creating a strong city-university relationship. The city-university relationship continues to be one of the City's greatest partnership opportunities and is reflect in ED's oversight of the Mason Enterprise Center - Fairfax (MEC).

Major Projects

The City continues to attract significant investment in commercial and residential redevelopment that aims to fulfill the goals advocated in the City's Comprehensive Plan.

Commercial:

Scout on the Circle: Final plans to redevelop a 108,000 square feet former shopping center (dating to 1964) were approved in 2014. The mixed-use development includes 400 apartments and 88,000 square feet of retail space, including a 54,000 square foot grocery store. Construction on the project began in February 2018 and began delivering in phases with residential occupancies starting in the spring of 2020. Giant opened the grocery in August 2020. Commercial tenants in the ground floor retail spaces include Roots Natural Kitchen, TeaDM, F45, Salon Lofts, Verizon, Vivian Nail Bar, Izakaya Genki, and Peri Peri.

ECONOMIC CONDITION AND OUTLOOK: (CONTINUED)

Major Projects: (Continued)

Fairfield Fairfax Gateway (“The Moxley”): A 403-unit apartment building with approximately 29,000 square feet of commercial space was originally approved in 2015 for a former industrial site in the Kamp Washington area. Application was approved in 2018 to revise the building plan and site layout, including adjusting the amount of commercial space initially constructed to 21,000 square feet with an additional 9,000 square feet of commercial space as an optional future conversion. The project broke ground in June 2019 with a phased occupancy beginning in 2022.

Paul VI (“Boulevard VI”): The Diocese of Arlington relocated Paul VI High School to Loudoun County after the conclusion of the 2019-2020 school year. In 2018, the City Council approved the site for residential redevelopment, to include 144 condominium units, 115 townhouses and 7 detached homes, as well as 20,000 square feet of new retail space and 24,000 square feet of community/commercial space in a retained portion of the original school building. Site work and demolition of the former school began in September 2020. Phased occupancy, starting with townhouses and condominiums, began in 2022.

Breezeway Motel: This redevelopment of the aging Breezeway Motel and Fairfax Gardens Apartments includes 40 townhouses and 20 “two over two” condominium units. A one-acre parcel within the development along Fairfax Boulevard will be cleared and prepared for future commercial development. The project was approved by the City Council in March 2022 and is expected to break ground in 2023.

Hi-Way Motel: Demolition of existing motel and redevelopment of site with 54 affordable multifamily housing units and 1,400 sq. ft. ground floor office space. Project was approved by the City Council on December 13, 2022. Preparation of site plan expected in 2023.

Residential:

Capstone Collegiate (“The Flats on University”): Project includes the redevelopment of a 1970’s-era low-rise office buildings site into a 275-unit privately-owned student housing complex. The site, located to the north of the City’s downtown, is approximately one mile from the campus of George Mason University. The units are marketed to graduate and undergraduate students at the university. The project was approved by the City Council in December 2018 and site work commenced in September 2020. Residents of the complex took occupancy in August 2022.

Northfax West: This mixed-use redevelopment on the site of former vehicle storage lots and vacant land was approved by the City Council in July 2020. The project will include a senior housing community, with 114 independent living units and 86 assisted living units, 56 townhomes, and 3.3 acres of residual land for future mixed-use development. A public improvement plan for streets and drainage facilities was approved in October 2021 and site work commenced in May 2022.

EYA Townhouses (“Sutton Heights”): This 50-unit townhouse development was approved by the City Council in June 2020 to replace a former church on Pickett Road. Site plan was submitted to the City in August 2020 and construction began in July 2021. Phased occupancy began in January 2023.

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FINANCIAL CONDITION

The total taxable assessed value of residential and commercial real property increased by 5.9% over the prior year. In CY 2023, the real estate tax rate increased by \$0.015 to \$1.025 per \$100 of assessed value. No change in the commercial and industrial real estate tax rate of 12.5 cents per \$100 of assessed value. School tuition costs of \$52.9 million were 3.3% higher in FY 2023. The current estimates indicate that the actual average daily membership (ADM), which is the population of City students in the Fairfax County Public School (FCPS) System, increased slightly in FY 2023 to 2,900 from 2,857 in FY 2022.

In order to fully fund existing programs, to keep salaries of public employees competitive, and to address the expanding program needs of the community, careful budgeting is required. The City strives to keep overall operating costs flat. In FY 2023, persistent high inflation played a factor and impacted operating costs in many aspects. During FY 2023, the City provided a merit increase of 3.5% for eligible employees and a 2.6% cost of living adjustment (COLA) to remain competitive with surrounding jurisdictions. Additionally, public safety employees transitioned to a salary step/pay scale in November of CY 2022.

The City's outstanding debt continues to decline. Though the City uses debt financing in addition to the "pay-as-you-go" approach to fund certain capital projects, the City's net direct debt to tax base ratio is flat at 0.94% at June 30, 2023 from 0.92% at June 30, 2022. Additionally, the City's non-Business-type Activities debt decreased from \$120.4 million to \$111.6 million in FY 2023

The following table shows the assessed value of residential and commercial properties has more than doubled since 2004 including a 5.9% increase from 2022 to 2023. Real property taxes, which are based on assessments as of January 1st of each year, are due in two payments. The first six months of real estate tax is due on June 21st and the second half on December 5th.

Tax Year	Residential Assessed Value	Residential % Increase (Decrease)	Industrial/ Commercial Assessed Value	Industrial/ Commercial % Increase (Decrease)	Total Taxable Assessed Value	Total % Increase (Decrease)
2004	\$ 2,439,123,400	15.5	\$ 1,314,291,800	8.9	\$ 3,753,415,200	13.1
2005	3,063,115,200	25.6	1,382,126,100	5.2	4,445,241,300	18.4
2006	3,817,504,900	24.6	1,626,385,700	17.7	5,443,890,600	22.5
2007	3,723,667,700	(2.5)	1,884,634,000	15.9	5,608,301,700	3.0
2008	3,475,794,600	(6.7)	2,161,997,400	14.7	5,637,792,000	0.5
2009	3,182,468,200	(8.4)	2,177,141,900	0.7	5,359,610,100	(4.9)
2010	3,013,912,200	(5.3)	1,968,035,100	(9.6)	4,981,947,300	(7.0)
2011	3,123,099,700	3.6	1,954,294,800	(0.7)	5,077,394,500	1.9
2012	3,195,889,977	2.3	2,025,966,286	3.7	5,221,856,263	2.8
2013	3,266,638,900	2.2	2,073,994,400	2.4	5,340,633,300	2.3
2014	3,463,135,200	6.0	2,085,815,600	0.6	5,548,950,800	3.9
2015	3,624,478,000	4.7	2,068,542,000	(0.8)	5,693,020,000	2.6
2016	3,738,914,500	3.2	2,113,115,000	2.2	5,852,029,500	2.8
2017	3,822,160,300	2.2	2,119,723,700	0.3	5,941,884,000	1.5
2018	3,967,151,300	3.8	2,127,875,000	0.4	6,095,026,300	2.6
2019	4,044,043,800	1.9	2,195,140,900	3.2	6,239,184,700	2.4
2020	4,119,630,100	1.9	2,320,364,200	5.7	6,439,994,300	3.2
2021	4,362,131,700	5.9	2,319,509,940	0.0	6,681,641,640	3.8
2022	4,772,528,300	9.4	2,438,116,700	5.1	7,210,645,000	7.9
2023	5,011,800,200	5.0	2,625,290,000	7.7	7,637,090,200	5.9

BOND RATING

The City's bond ratings are as follows:

Moody's Investors Service

Standard & Poor's

General Obligation Bonds

Aaa

AAA

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

The budget process begins in the fall. City Council sets guidelines for the budget, usually in November. These guidelines provide the framework for developing the new budget. Operating budget requests from departments and City offices are reviewed and evaluated for priority and, based on estimated revenues, funding is requested by the City Manager in support of those programs, services, and projects. Revenue estimates are derived from a review of current and projected economic indicators, current and proposed federal and state legislation, knowledge of future planned events in the City, review of historic trends, and other factors. By law, local government budgets must be balanced; i.e., current expenditures may not exceed current revenues and appropriated fund balance.

The Capital Improvement Program (CIP) follows a similar process whereby departments submit requests, which are evaluated for priority and funding. The initial proposed CIP is issued in November and forwarded to the City Council and Planning Commission for joint discussion. The Planning Commission then holds a public hearing on the CIP and provides recommendations to the City Council. The City Council holds at least one public hearing on the CIP and defers action until adoption of the operating and capital budgets in April or May. The City Manager refines the initial proposed CIP based on an evaluation of operating funding requests and available resources.

A capital budget (year one of the proposed CIP) is included in the operating budget. The capital budget and operating budget together become the proposed budget.

The City Council reviews the proposed budget and holds a series of public hearings, work sessions, and outreach meetings to provide the public with an opportunity to comment, ensuring that the budget is responsive to the citizens' needs. After careful deliberation, the proposed budget, as modified for additions and deletions, is adopted by City Council.

As a management tool, budgetary control is maintained at the department level requiring the encumbrance of funds, which generates vendor purchase orders. In addition, revenues and expenditures are monitored throughout the year, enabling the City to measure actual income and expenses against those projected in the budget.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The GFOA awarded the City a Certificate of Achievement for Excellence in Financial Reporting for the City's ACFR for the 42nd consecutive year. GFOA awards a certificate to governmental units that exemplify excellence in financial reporting and conform to the stringent reporting requirements promulgated by that association and various other authoritative bodies.

To earn a Certificate of Achievement an ACFR must tell its financial story clearly, thoroughly, and understandably. The report must be efficiently organized, employ certain standardized terminology and formatting conventions, minimize ambiguities and potentials for misleading inference, enhance understanding of current generally accepted accounting theory, and demonstrate a constructive "spirit of full disclosure".

A Certificate is valid for a period of only one year. The City believes its current report continues to conform to the Certificate of Achievement Program requirements and standards, and is submitting it to the GFOA to determine its eligibility for another certificate for the 2023 fiscal year.

ACKNOWLEDGMENTS

We wish to express our appreciation to the staff of the Department of Finance. Their efficient and dedicated service assisted in the preparation of this report.

We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Robert A. Stalzer
City Manager



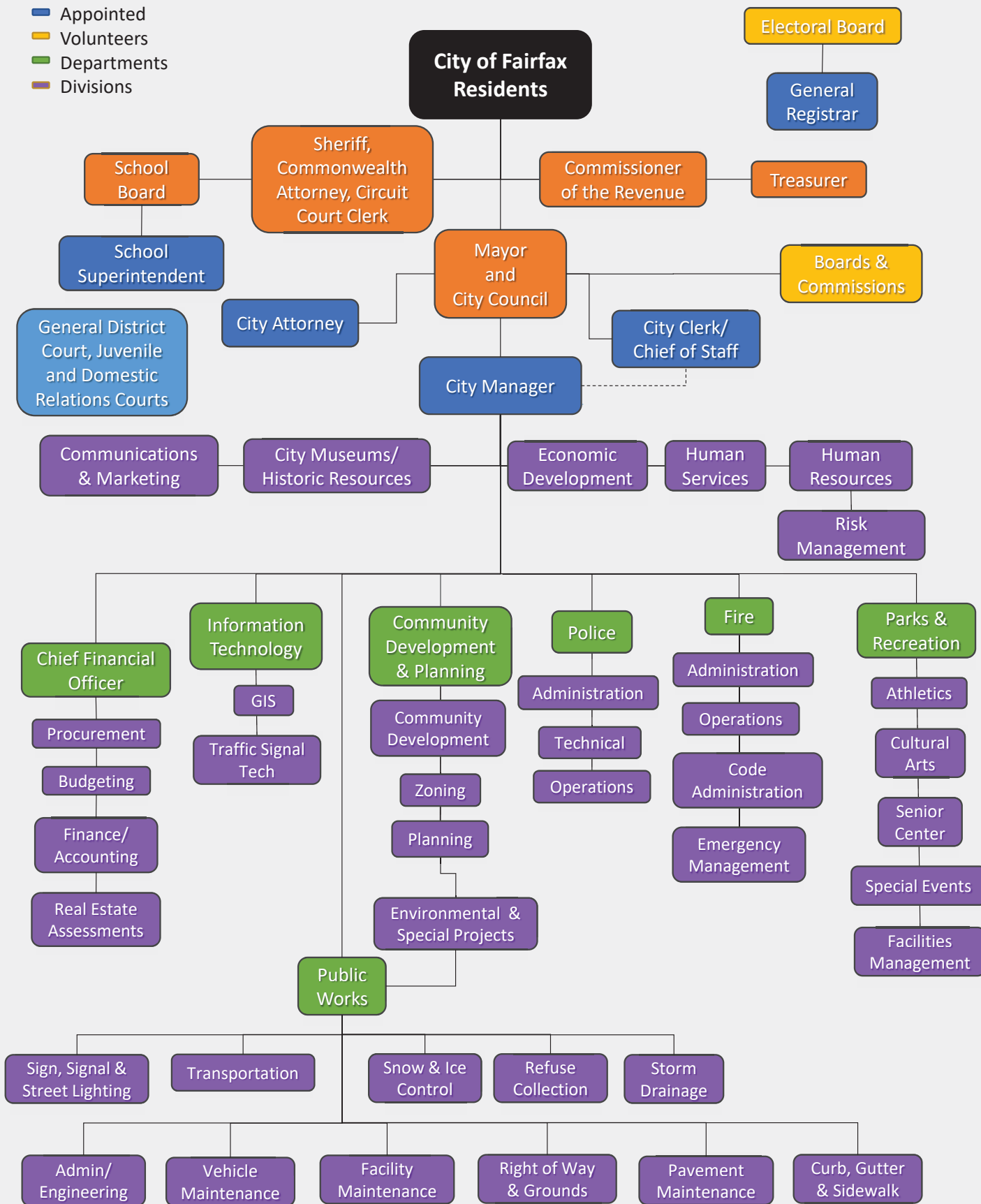
Juan C. Martinez
Chief Financial Officer



Romelyn Guzman
Acting Director of Finance

City of Fairfax Organizational Chart

- Contracted
- Elected
- Appointed
- Volunteers
- Departments
- Divisions



CITY OF FAIRFAX, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2023

CITY COUNCIL¹

Catherine S. Read, Mayor

Billy M. Bates	So P. Lim
Kate Doyle-Feingold	D. Thomas Ross
Jeffrey C. Greenfield	Jon R. Stehle, Jr.

STAFF

Robert A. Stalzer	City Manager
William Page Johnson II	Commissioner of Revenue ²
Tom Scibilia	Treasurer ²
John O’Neal	Fire Chief
Erin Schaible	Chief of Police
Brooke Hardin	Director of Community Development and Planning
Mark Perry	Director of Information Technology
David Summers	Director of Public Works
Stacey Sommerfield	Director of Parks and Recreation
Sara Greer	Human Resources Director
Melanie Zipp	City Clerk/Chief of Staff
Juan C. Martinez	Chief Financial Officer
Brenda Cabrera	General Registrar
Jeffrey Platenberg	City School Superintendent

ADVISORS

Brian J. Lubkeman	City Attorney
Robinson, Farmer, Cox Associates	Independent Auditors

¹ Elected by City voters to 2-year terms. Current terms expire December 31, 2024.

² Elected by City voters to 4-year terms. Current terms expire December 31, 2025.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fairfax
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



Independent Auditors' Report

**To the Honorable Members of
the City Council
City of Fairfax, Virginia**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Fairfax, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2023, the City adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Agreements (SBITAs)*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements: (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Fairfax, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Fairfax, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Fairfax, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic

Required Supplementary Information (Continued)

financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Fairfax, Virginia's basic financial statements. The accompanying other supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, on our consideration of City of Fairfax, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Fairfax, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fairfax, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 11, 2023

CITY OF FAIRFAX, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2023

This section of the City of Fairfax, Virginia's ("City") Annual Comprehensive Financial Report (ACFR), the Management's Discussion and Analysis (MD&A), provides an overview of the City's financial activities and performance for the fiscal year ended June 30, 2023. Users of these financial statements are encouraged to consider the information presented here in conjunction with the City's basic financial statements and the information furnished in our letter of transmittal, which can be found in the introductory section.

HIGHLIGHTS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

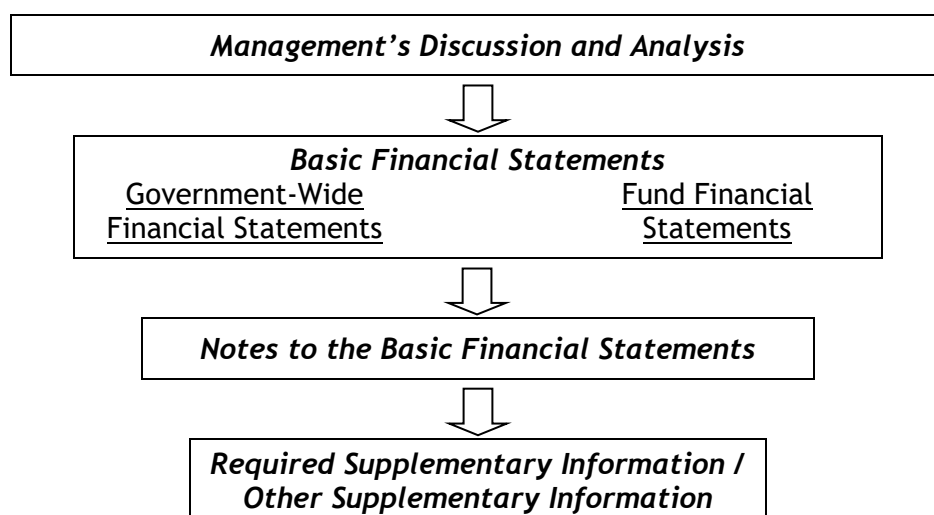
The Primary Government's assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$114.3 million (net position) at the close of the fiscal year (FY) June 30, 2023, and increase of \$7.5 million from FY 2022. The Primary Government includes both governmental and business-type activities.

- Increases or decreases in net position may serve as a useful indicator of the financial health of the City. A combination of a 7.8% increase in assessments of taxable real property, a \$3.5 million increase in other local taxes, a \$3.2 million increase in use of money and property, accounted for a healthy increase of governmental net position in FY 2023. Refer to Tables 1 and 2 for more information.
- The Component Unit School Board had a decrease in its net position of \$2.8 million during the FY as expenses outpaced revenues. Overall education costs increased by \$4.3 million from FY 2022.
- At the end of June 30, 2023, the City's governmental, business-type, and Component Unit School Board activities had invested \$221.6, \$49.8, \$10.8 million, net of accumulated depreciation, respectively, in capital assets. Refer to Table 4 for more information.
- The City's total governmental outstanding long-term debt at FY end was \$111.6 million, a decrease of \$8.8 million, driven mainly by debt retirement during the normal course of business. Refer to the Outstanding Debt Table (Table 5) in this section or Note 7 under the Notes to the Financial Statements section of this report for additional information.

USING THE FINANCIAL SECTION OF THE ANNUAL REPORT

- This Annual Comprehensive Financial Report is presented in four sections: introductory, financial, statistical, and compliance. The financial section is further broken down as displayed in the chart below.

COMPONENTS OF THE FINANCIAL SECTION



CITY OF FAIRFAX, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2023 (Continued)

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by most private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. One of the most important questions that could be asked about the City's financial position is: "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way to address this question. These statements include all assets and liabilities using the accrual basis of accounting. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report on the City's net position and changes in it. One can think of the City's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or declining. Other non-financial factors will need to be considered, for example, changes in the City's property tax base and the condition of the City's facilities, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into the following:

Governmental Activities - Most of the City's basic services are reported here: General Government, Judicial Administration, Public Safety, Public Works, Health and Social Services, Parks, Recreation and Cultural, and Planning and Community Development. Property taxes, other local taxes, and state and federal aid finance most of these activities.

Business-type Activities - The City's Wastewater System, the Stormwater Utility, and the City's Transit System are reported here. The City charges a fee to customers to cover all of the cost of wastewater and stormwater services. In the past, a significant portion of the Transit System had been subsidized by the City, but in the past few years, the City has used "30%" state funds to subsidize its Transit operations.

Component Units - The City includes three legal entities as Component Units in its report - the School Board, the Industrial Development Authority, and the Economic Development Authority. The School Board is presented as a separate column while the others are combined as non-major component units for presentation purposes. These legally separate "component units" are each important because the City is financially accountable for them, and provides a significant portion of their operating and capital funding.

CITY OF FAIRFAX, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2023 (Continued)

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the City's most significant funds - not the City as a whole. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The City has three types of funds:

Governmental funds - This fund type includes most of the City's basic services, and focuses on (1) how cash and other financial assets that are readily converted to cash, flow in and out, and (2) on the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds - This fund type includes services for which the City charges customers a fee, and the fee is to support the majority, if not all, of the cost. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary funds - This fund type accounts for assets held by the City in a trustee capacity and consists of pension trust funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and other information related to its pension plans. Required supplementary information immediately follows the notes to the financial statements.

The combining statements in connection with non-major funds and component units are presented immediately following the required supplementary information on pensions.

CITY OF FAIRFAX, VIRGINIA

Management’s Discussion and Analysis
Year Ended June 30, 2023 (Continued)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This section of the MD&A covers the Government-wide Financial Statements (Tables 1 and 2), which can also be found in the Basic Financial Statements section of the ACFR.

Statement of Net Position

Table 1 presents the condensed Statement of Net Position of the Primary Government and the School Board Component Unit in a comparative format:

Table 1
Summary of Statement of Net Position
June 30, 2023 and 2022
(in millions)*

	Primary Government						Major Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2023	2022	2023	2022	2023	2022	2023	2022
Assets:								
Current and other assets	\$136.0	\$112.3	\$27.7	\$9.7	\$163.7	\$122.0	\$1.7	\$2.6
Capital assets, net	\$221.6	\$228.9	\$49.8	\$42.7	\$271.4	\$271.6	\$10.8	\$13.7
Total Assets	\$357.6	\$341.2	\$77.5	\$52.4	\$435.1	\$393.6	\$12.5	\$16.3
Deferred outflows of resources	\$36.3	\$35.1	\$2.6	\$2.2	\$38.9	\$37.3	-	-
Liabilities:								
Current and other liabilities	\$59.4	\$41.8	\$5.7	\$4.4	\$65.1	\$46.2	\$1.7	\$2.6
Long-term liabilities	\$202.3	\$191.2	\$40.1	\$24.2	\$242.4	\$215.4	\$0.1	\$0.1
Total Liabilities	\$261.7	\$233.0	\$45.8	\$28.6	\$307.5	\$261.6	\$1.8	\$2.7
Deferred inflows of resources	\$51.3	\$60.9	\$0.9	\$1.6	\$52.2	\$62.5	\$0.0	\$0.1
Net Position:								
Net investment in capital assets	\$104.9	\$108.8	\$29.5	\$22.7	\$134.4	\$131.5	\$10.8	\$13.7
Restricted	\$1.9	\$1.5	-	-	\$1.9	\$1.5	-	-
Unrestricted	(\$25.9)	(\$27.9)	\$3.9	\$1.7	(\$22.0)	(\$26.2)	(\$0.1)	(\$0.2)
Total net position	\$80.9	\$82.4	\$33.4	\$24.4	\$114.3	\$106.8	\$10.7	\$13.5

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the ACFR may exist.

Over time, net position may serve as a useful indicator of the City's financial position. For the most recently concluded fiscal year, the City's Primary Government assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$114.3 million, which is an increase of \$7.5 million from the net position as of June 30, 2022. The total net position of Primary Government and School Board increased by \$4.7 million from the net position as of June 30, 2022.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure improvements, machinery and equipment, and construction in progress, net of accumulated depreciation) less any related outstanding debt used to acquire those assets. As of June 30, 2023, this investment totaled \$282.2 million for the entire reporting entity (\$271.4 million for the Primary Government and \$10.8 million for the School Board Component Unit). The City uses these assets to provide services to its citizens; consequently, these assets are not readily available for future spending.

CITY OF FAIRFAX, VIRGINIA

Management’s Discussion and Analysis
Year Ended June 30, 2023 (Continued)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

Statement of Activities

The following table shows the revenues and expenses of the governmental and business-type activities and the School Board Component Unit:

Table 2
Summary of Changes in Net Position
Years Ended June 30, 2023 and 2022
(in millions)*

	Primary Government						School Board Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenues:								
Program revenues:								
Charges for services	\$ 6.2	\$ 5.9	\$ 14.5	\$ 15.2	\$ 20.7	\$ 21.1	\$ 0.5	\$ 0.3
Operating grants and contributions	5.1	4.6	3.4	0.7	8.5	5.3	11.9	10.1
Capital grants and contributions	5.4	7.7	-	-	5.3	7.7	-	-
General revenues:								
General property taxes	92.9	86.2	-	-	92.9	86.2	-	-
Other local taxes	44.2	40.7	-	-	44.2	40.7	-	-
Contribution from City	-	-	-	-	-	-	42.9	41.0
Grants and contributions not restricted to specific programs	5.4	5.4	-	-	5.4	5.4	-	-
Use of money and property	3.3	0.1	-	-	3.3	0.1	2.3	2.2
Miscellaneous	1.3	1.5	-	-	1.3	1.5	-	-
Total revenues	\$ 163.8	\$ 152.1	\$ 17.9	\$ 15.9	\$ 181.6	\$ 168.0	\$ 57.6	\$ 53.6
Expenses:								
General government	\$ 16.4	\$ 15.0	\$ -	\$ -	\$ 16.4	\$ 15.0	\$ -	\$ -
Judicial administration	2.3	2.3	-	-	2.3	2.3	-	-
Public safety	38.7	31.8	-	-	38.7	31.8	-	-
Public works	26.1	27.3	20.5	13.0	46.6	40.3	-	-
Health & social services	8.5	7.5	-	-	8.5	7.5	-	-
Education	45.4	44.2	-	-	45.4	44.2	60.5	56.2
Parks, recreation and cultural	8.3	7.5	-	-	8.3	7.5	-	-
Planning and community develop	5.2	4.7	-	-	5.2	4.7	-	-
Interest	2.7	4.4	-	-	2.7	4.4	-	-
Total expenses	\$ 153.6	\$ 144.7	\$ 20.5	\$ 13.0	\$ 174.1	\$ 157.7	\$ 60.5	\$ 56.2
Change in net position before transfers & special items	\$ 10.2	\$ 7.4	\$ (2.6)	\$ 2.9	\$ 7.5	\$ 10.2	\$ (2.8)	\$ (2.5)
Transfers	(11.6)	(3.1)	11.6	3.1	-	-	-	-
Change in net position	\$ (1.5)	\$ 4.2	\$ 9.0	\$ 6.0	\$ 7.5	\$ 10.2	\$ (2.8)	\$ (2.5)
Net position, beginning of year	\$ 82.4	\$ 78.2	\$ 24.4	\$ 18.4	\$ 106.8	\$ 96.6	\$ 13.5	\$ 16.0
Cumulative effect of prior period adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net position, beginning of year	\$ 82.4	\$ 78.2	\$ 24.4	\$ 18.4	\$ 106.8	\$ 96.6	\$ 13.5	\$ 16.0
Net position, ending of year	\$ 80.9	\$ 82.4	\$ 33.4	\$ 24.4	\$ 114.3	\$ 106.8	\$ 10.7	\$ 13.5

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the ACFR may exist.

CITY OF FAIRFAX, VIRGINIA

Management’s Discussion and Analysis
Year Ended June 30, 2023 (Continued)

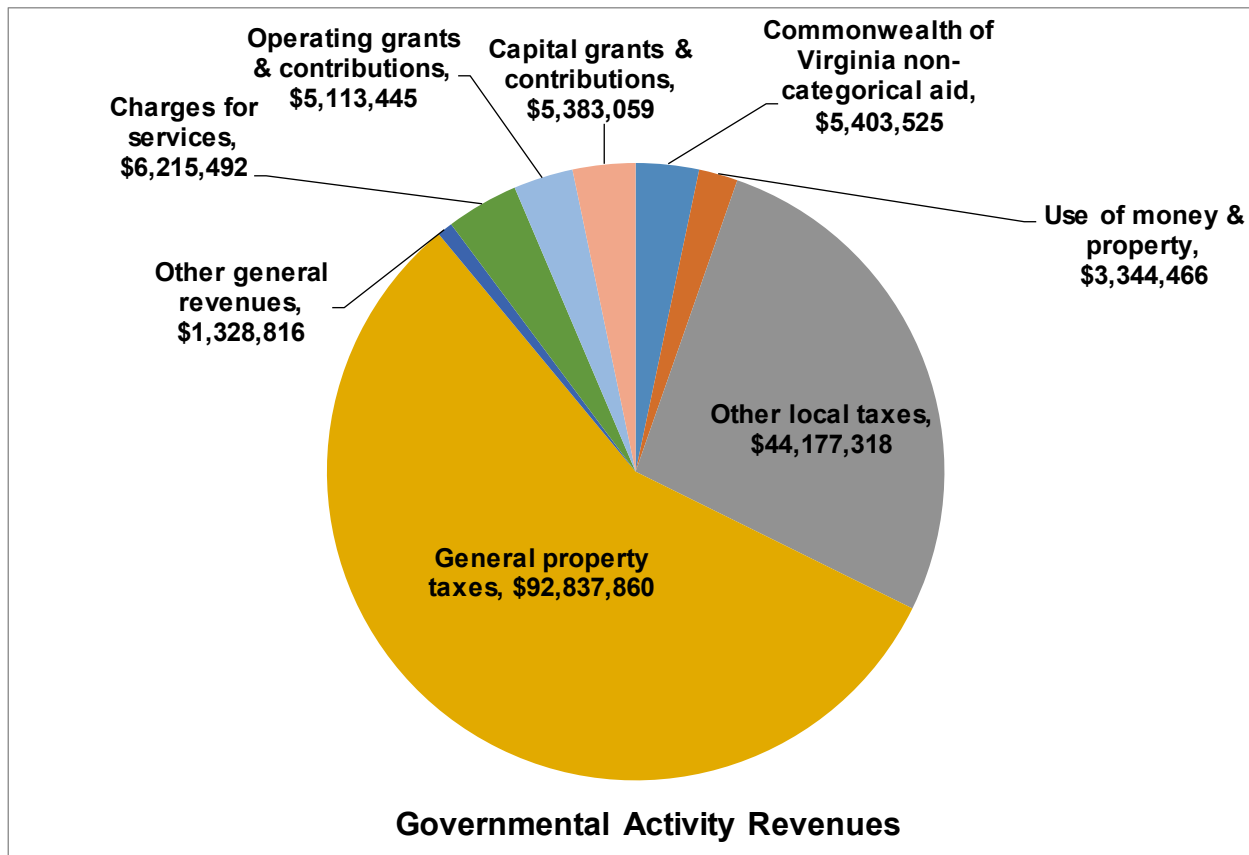
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

Governmental Activities

Revenues for the City’s governmental activities were \$163.8 million, which is an increase of \$11.7 million from FY 2022:

- General property taxes are the largest revenue source for the City. A 7.8% increase in the CY 2023 assessments accounts for a robust increase in general property tax revenues of \$6.7 million in FY 2023 over FY 2022.
- Other local taxes increased by \$3.5 million in FY 2023. Specifically, sales and use taxes, business license taxes, and the meals tax continue to extend year-over-year increases.
- The use of money and property experienced the most significant increase of \$3.2 million in FY 2023 over FY 2022 (a 2,400% increase.) Interest rate returns have increased from 0.01% in early CY 2022 to over 5.5% in CY 2023.
- Operating grants and contributions and charges for services both increased collectively by \$0.8 million in FY 2023, offset by a \$2.3 decrease in capital grants and contributions, and a \$0.2 million decrease in miscellaneous revenues.

The chart below shows FY 2023 governmental revenues by program source:



CITY OF FAIRFAX, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2023 (Continued)

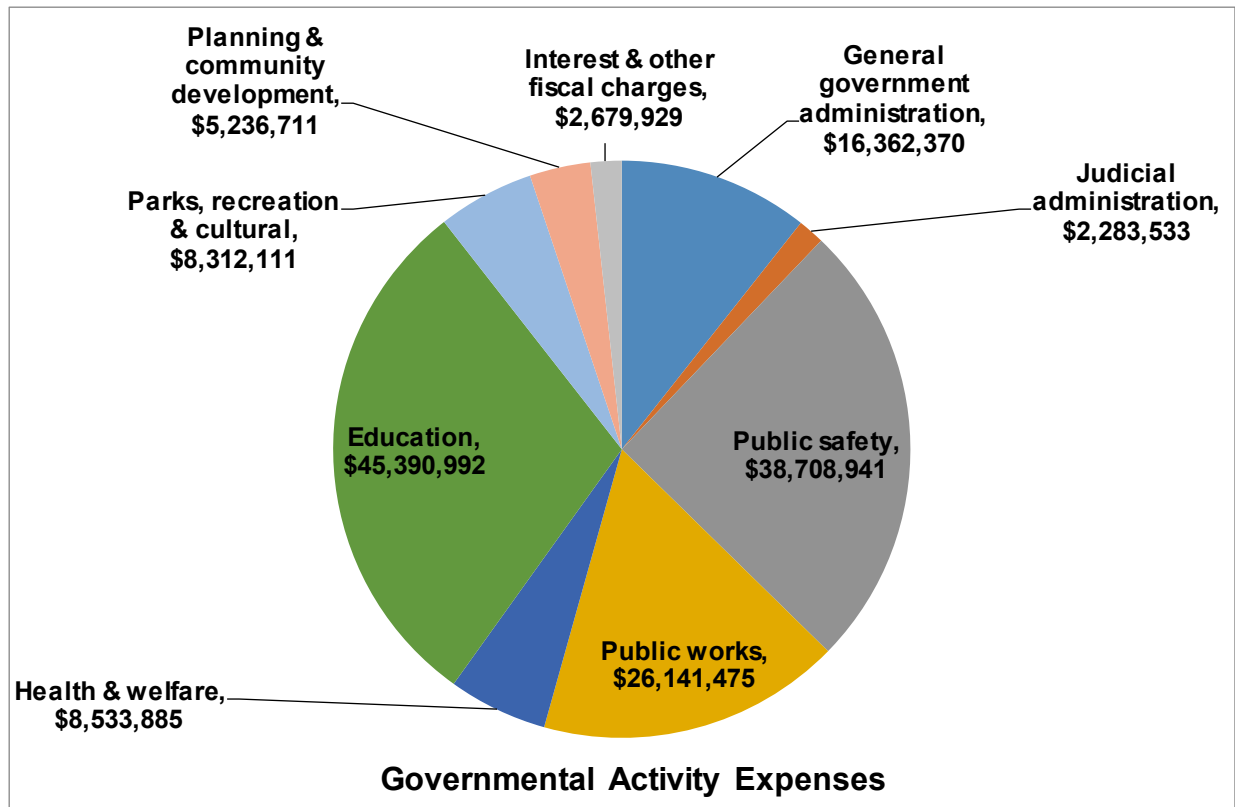
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

Expenses for the City's governmental activities were \$153.6 million in FY 2023, which is an increase of \$8.9 million from FY 2022.

- FY 2023 saw a 3.5% merit increase and a 2.6% market rate adjustment for eligible general pay scale employees. Additionally, public safety employees transitioned to a salary step/pay scale in November of CY 2022. These investments ensure greater parity within the Northern Virginia region and support our recruitment and retention efforts.
- Public safety expenses increased by \$6.9 million in FY 2023, mainly as stated above, due to the transition to a salary step/pay scale in late CY 2022. Personnel vacancies contributed to increased overtime payments for both the fire and police departments.
- Public works and interest and other fiscal charges both decreased collectively by \$2.9 million; a mild winter with no snow accumulation provided savings and scheduled interest payments on debt service decreased.

As shown in the chart below, education remains the City's largest program, followed by public safety and public works.

The chart below show FY 2023 governmental expenses by major category:



CITY OF FAIRFAX, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2023 (Continued)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

Business-type Activities

Business-type activities increased the City's net position by \$9.0 million, mainly caused by transfers. The total revenues increased by \$2.0 million from FY 2022, mostly due to an increase in operating grants and contributions. Business-type activities expenses increased by \$7.5 million, driven by increased public works expenses.

Component Unit Activities

The School Board's net position was \$10.7 million at the end of FY 2023, a decrease of \$2.8 million from the net position as of June 30, 2022. The decrease in net position was mainly caused by education costs exceeding the revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (See Exhibits 3-11)

This section of the MD&A discusses the City's Fund Financials, which as noted earlier, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Consequently, the amounts presented in Exhibits 3 through 7 in the Basic Financial Statements section of the ACFR will differ from the amounts presented in Exhibits 1 and 2. Exhibit 4 provides a reconciliation between the Balance Sheet of the Governmental Funds and the Statement of Net Position to allow the reader to understand the connection.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance is a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$44.5 million, an increase of \$2.4 million from the prior year. Approximately 61.5% of this total amount (\$27.3 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is classified as non-spendable (\$9.3 million), restricted (\$1.6 million), and assigned (\$6.2 million) to indicate that the funds are not available for discretionary spending.

The General Fund is the primary operating fund of the City. The total fund balance decreased by \$2.6 million in FY 2023 (revenues of \$156.2 million less expenditures of \$134.3 million and other financing uses (net) of \$24.4 million). The City's General Capital Projects Fund and Other Governmental Funds reflected an overall increase of \$4.9 million. The increase in fund balance of the General Capital Projects Fund was due to transfers in from the General Fund.

The General Capital Projects and Other Governmental fund balances are committed or assigned to capital projects, and unavailable for other spending.

CITY OF FAIRFAX, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2023 (Continued)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for Business-type Activities. Unrestricted net position of the Wastewater Fund, Stormwater Utility Fund, and Transportation Fund at June 30, 2023 totaled \$6.7 million, \$0.5 million, and (\$3.1) million, respectively. The total proprietary fund unrestricted net position increased by \$2.3 from the prior year to \$4.0 million.

Major events in the Governmental and Proprietary Funds during the current fiscal year included the following:

- The establishment of the Stormwater Utility, effective July 1, 2022, and supported customer fees that are based on the amount of impervious surface on each parcel.
- Entered into Phase II of the Sherwood Community Center Expansion project between the City of Fairfax and Fairfax County (\$6.0 million).
- Kicked off the Finance General Ledger/Personnel Software implementation project with an anticipated "go live" date of July 1, 2024 (\$1.1 million).
- An increase in Wastewater utility rate of 6.0% to support the City's share of capital project costs required for the Noman M. Cole, Jr. Wastewater Treatment Plant.

General Fund Budgetary Highlights

While the previous sections discuss changes in actual results from FY 2022 to FY 2023, the following section provides a summarized final-budget-to-actual analysis of the General Fund to show how actual results compare to the final budget. While results may be positive year-over-year, they may still show a negative variance with the final budget.

CITY OF FAIRFAX, VIRGINIA

Management’s Discussion and Analysis
 Year Ended June 30, 2023 (Continued)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

Table 3 summarizes Exhibit 7, which can be found in the Basic Financial Statements section of the ACFR.

Table 3
General Fund Budgetary Highlights
Fiscal Year 2023
(in millions)*

	Final Budget	Actual	Actual Over/(Under) Final Budget
Revenues:			
Taxes	\$ 129.5	\$ 134.1	\$ 4.6
Intergovernmental	10.0	11.5	1.5
Other	8.1	10.5	2.4
Totals	147.6	156.2	8.5
Expenditures	140.9	134.3	(6.6)
Excess of revenues over expenditures:	6.7	21.9	15.1
Other financing sources and (uses):			
Transfers, net	(30.1)	(24.4)	5.8
Changes in fund balance	(23.4)	(2.5)	20.9
Fund balance, beginning	23.4	36.2	12.8
Fund balance, ending	\$ -	\$ 33.7	\$ 33.7

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the ACFR may exist.

Actual General Fund revenues were \$8.5 million more than the final budget amounts, and actual expenditures were under the final budget amount by \$6.6 million. Highlights of the comparison of the final budget to actual figures for the fiscal year ended June 30, 2023, include the following:

- Tax revenues increased based on annual assessed values increasing by 5.9% and a 0.015 real estate rate increase (\$6.7 million). Additionally, the City is experiencing a reduction in commercial vacancies which directly impacts tax revenues.
- Overall expenditures came in under budget \$6.6 million, driven mainly by lower-than-budgeted public works (\$1.2 million) and interest expense (\$1.7 million).

CITY OF FAIRFAX, VIRGINIA

Management’s Discussion and Analysis
Year Ended June 30, 2023 (Continued)

CAPITAL ASSETS

As of June 30, 2023, the City's governmental activities, business-type activities, and the activities of the Component Unit School Board had invested \$221.6, \$49.8, \$10.8 million net of accumulated depreciation, respectively, in capital assets, as reflected in Table 4 below.

Table 4
Statement of Capital Assets
June 30, 2014 and 2013
(in millions)*

	Primary Government						Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2023	2022	2023	2022	2023	2022	2023	2022
Land	\$ 60.7	\$ 61.1	\$ 0.5	\$ -	\$ 61.2	\$ 61.1	\$ 1.4	\$ 1.4
Construction in Progress	8.1	5.3	1.5	0.4	9.6	5.7	-	-
Depreciable Capital Assets:								
Buildings and Improvements	75.0	75.1	1.5	1.5	76.5	76.6	63.9	60.6
Machinery and Equipment	36.5	35.8	6.9	5.8	43.4	41.6	1.4	1.4
Lease assets	0.2	0.1	-	-	0.2	0.1	-	-
Subscription assets	0.9	-	-	-	0.9	-	-	-
Joint Tenancy Assets	53.2	56.5	-	-	53.2	56.5	-	-
Intangible Assets	-	-	47.3	42.8	47.3	42.8	-	-
Infrastructure	113.1	114.7	20.3	15.3	133.4	130.0	-	-
Accumulated Amortization	-	-	(13.9)	(12.0)	(13.9)	(12.0)	-	-
Accumulated Depreciation	(126.1)	(119.7)	(14.3)	(11.1)	(140.4)	(130.8)	(55.9)	(49.6)
Total	\$ 221.6	\$ 228.9	\$ 49.8	\$ 42.7	\$ 271.4	\$ 271.6	\$ 10.8	\$ 13.8

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the ACFR may exist.

The City's investment in capital assets for governmental and business-type activities as of June 30, 2023, amounts to \$271.4 million, net of accumulated amortization and accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. Common infrastructure items include roadways, bridges, storm drainage areas, wastewater lines, sidewalks, curbs, bike paths and traffic lights.

Major capital asset transactions of the City during FY 2023 in both the governmental and business-type activities included the following:

- Continued investment in the Willard-Sherwood Community Center Expansion project between the City of Fairfax and Fairfax County (\$6.0 million).
- Investment in the Fire Station #3 project of \$1.5 million, as construction in progress.
- Old Town Hall Rehabilitation project in the of \$2.1 million, as construction in progress.

CITY OF FAIRFAX, VIRGINIA

Management’s Discussion and Analysis
Year Ended June 30, 2023 (Continued)

CAPITAL ASSETS: (CONTINUED)

The City's investment in capital assets for its School Board Component Unit as of June 30, 2023, was \$10.8 million, net of accumulated depreciation, a net decrease of \$3.0 million from the prior fiscal year caused by the current depreciation methodology of depreciation. If the factor of depreciation is excluded, the investment in capital assets increased by \$3.3 million during FY 2023 because the investment in buildings and improvements increased by \$3.3 million from the prior fiscal year.

Additional information on the City’s capital assets can be found in Note 6 of the Notes to the Financial Statements section of this report.

OUTSTANDING DEBT

Table 5
General Obligation, Revenue Bonds and Notes Payable
(in millions)*

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds						
General Obligation Bonds - Public Offerings	\$ 2.8	\$ 5.6	\$ -	\$ -	\$ 2.8	\$ 5.6
General Obligation Bonds - Direct Borrowings	54.2	56.1	-	-	54.2	56.1
General Obligation Bonds - Premiums	1.6	1.9	-	-	1.6	1.9
Lease Revenue Bonds	31.9	34.3	-	-	31.9	34.3
Public Improvement COPs	9.3	10.1	-	-	9.3	10.1
Notes Payable	9.7	10.2	-	-	9.7	10.2
Lease liabilities	0.1	0.1	-	-	0.1	0.1
Subscription liabilities	0.5	-	-	-	0.5	-
Equipment financing agreements	1.5	2.1	-	-	1.5	2.1
Governmental Debt	\$ 111.6	\$ 120.4	\$ -	\$ -	\$ 111.6	\$ 120.4
Self-Supporting Debt						
WasteWater - Lease Revenue Bonds & Premiums	\$ -	\$ -	\$ 34.1	\$ 20.4	\$ 34.1	\$ 20.4
Total City Debt	\$ 111.6	\$ 120.4	\$ 34.1	\$ 20.4	\$ 145.7	\$ 140.8

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the ACFR may exist.

The City’s total debt for governmental activities decreased by \$9.2 million, and debt for business-type activities increased by \$13.7 million in FY 2023. The City’s debt reported a combined total of \$145.1 million, a slight increase of \$4.3 million from the prior year.

Additional information on the City of Fairfax’s long-term debt can be found in Note 7 of Notes to the Financial Statements section of this report.

CITY OF FAIRFAX, VIRGINIA

Management's Discussion and Analysis
Year Ended June 30, 2023 (Continued)

ECONOMIC FACTORS

The City's at-place workforce continues to be strong and according to the US Bureau of Labor Statistics, the City of Fairfax was home to approximately 21,600 in late 2022. The City's unemployment rate now stands at 2.2% as of May 2023, which is an improvement from the 2022 annual average of 3.4%. The City's current unemployment is better than Virginia's average (3.0%) and the national average (3.4%). With 4.4 million square feet of office space, the City of Fairfax remains one of Northern Virginia's employment hubs. The City's office market currently has a 9.0% vacancy rate, considerably lower than that of Fairfax County and of Northern Virginia as a whole. The retail market remains healthy, with a vacancy rate of only 2.3%, less than the regional average for retail vacancies. The City's bond ratings, Aaa (Moody's Investor Services) and AAA (Standard and Poor's) place it in the top tier of municipal bond issuers. The City continues to maintain a strong economic base. The City continues to promote redevelopment and has approved mixed-use development projects at Fairfax Circle, Kamp Washington, and Fairfax Gateway, several of which are under construction. In addition, several major projects have been completed along the Boulevard with many others in various stages of planning, design, and development.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Chief Financial Officer, City of Fairfax, 10455 Armstrong Street, Fairfax, Virginia 22030, telephone (703) 385-7850, or visit the City's web site at www.fairfaxva.gov.

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Position
At June 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Totals	School Board	Nonmajor Component Units
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 56,840,396	\$ 14,486,897	\$ 71,327,293	\$ 2,500	\$ 2,862,124
Cash and cash equivalents - in custody of others	11,738,866	-	11,738,866	-	-
Receivables (net of allowance for uncollectibles):					
Property taxes	41,041,155	-	41,041,155	-	-
Accounts receivable	1,915,669	2,780,348	4,696,017	-	-
Leases receivable	-	-	-	-	313,313
Due from other governments	11,082,663	-	11,082,663	1,160,308	-
Due from component units	1,100,825	-	1,100,825	-	-
Internal balances	2,977,748	(2,977,748)	-	-	-
Inventories	949,457	-	949,457	-	862,594
Prepaid items	8,346,010	2,000	8,348,010	-	-
Restricted cash	-	13,410,346	13,410,346	-	-
Due from primary government	-	-	-	561,798	-
Total Current Assets	\$ 135,992,789	\$ 27,701,843	\$ 163,694,632	\$ 1,724,606	\$ 4,038,031
Noncurrent Assets:					
Capital assets (net of accumulated depreciation):					
Land and improvements	\$ 60,657,513	\$ 487,018	\$ 61,144,531	\$ 1,381,115	\$ -
Buildings and improvements	75,031,889	1,491,528	76,523,417	63,885,772	-
Machinery and equipment	36,539,086	6,903,520	43,442,606	1,390,871	-
Lease machinery and equipment	195,881	-	195,881	-	-
Lease buildings	-	-	-	-	7,997,852
Subscription assets	881,264	-	881,264	-	-
Joint tenancy assets	53,232,430	-	53,232,430	-	-
Infrastructure	113,115,654	20,302,470	133,418,124	-	-
Intangible assets	-	47,282,155	47,282,155	-	-
Construction in progress	8,067,044	1,577,482	9,644,526	-	-
Accumulated amortization	-	(13,958,863)	(13,958,863)	-	-
Accumulated depreciation	(126,159,111)	(14,253,477)	(140,412,588)	(55,860,488)	(79,311)
Total capital assets	\$ 221,561,650	\$ 49,831,833	\$ 271,393,483	\$ 10,797,270	\$ 7,918,541
Total Noncurrent Assets	\$ 221,561,650	\$ 49,831,833	\$ 271,393,483	\$ 10,797,270	\$ 7,918,541
Total Assets	\$ 357,554,439	\$ 77,533,676	\$ 435,088,115	\$ 12,521,876	\$ 11,956,572
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 30,625,878	\$ 1,860,528	\$ 32,486,406	\$ 26,197	\$ -
OPEB related items	3,117,466	308,322	3,425,788	2,742	-
Deferred charge on refunding	2,605,602	430,285	3,035,887	-	-
Total Deferred Outflows of Resources	\$ 36,348,946	\$ 2,599,135	\$ 38,948,081	\$ 28,939	\$ -
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 11,817,272	\$ 3,414,452	\$ 15,231,724	\$ 1,722,106	\$ -
Retainage payable	134,002	23,448	157,450	-	-
Accrued interest payable	938,946	353,677	1,292,623	-	-
Customer deposits and other liabilities	2,601,442	1,047,622	3,649,064	-	-
Due to primary government	-	-	-	-	1,100,825
Due to component unit	561,798	-	561,798	-	-
Unearned revenue	34,752,512	-	34,752,512	-	-
Current portion of long-term obligations	8,897,202	811,325	9,708,527	1,349	439,647
Total Current Liabilities	\$ 59,703,174	\$ 5,650,524	\$ 65,353,698	\$ 1,723,455	\$ 1,540,472
Noncurrent Liabilities:					
Noncurrent portion of long-term obligations	202,015,714	40,082,392	242,098,106	147,933	7,465,925
Total Liabilities	\$ 261,718,888	\$ 45,732,916	\$ 307,451,804	\$ 1,871,388	\$ 9,006,397
DEFERRED INFLOWS OF RESOURCES:					
Pension related items	\$ 6,524,780	\$ 423,529	\$ 6,948,309	\$ 28,310	\$ -
OPEB related items	4,389,241	434,101	4,823,342	3,231	-
Leases related	-	-	-	-	309,464
Deferred revenue - property taxes	40,414,896	-	40,414,896	-	-
Total Deferred Inflows of Resources	\$ 51,328,917	\$ 857,630	\$ 52,186,547	\$ 31,541	\$ 309,464
NET POSITION					
Net investment in capital assets	\$ 104,874,933	\$ 29,545,228	\$ 134,420,161	\$ 10,797,270	\$ 12,969
Restricted for:					
Other	1,897,566	-	1,897,566	-	-
Unrestricted (deficit)	(25,916,919)	3,997,037	(21,919,882)	(149,384)	2,627,742
Total Net Position	\$ 80,855,580	\$ 33,542,265	\$ 114,397,845	\$ 10,647,886	\$ 2,640,711

The accompanying notes to financial statements are an integral part of this statement.

Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 16,362,370	\$ 157,390	\$ 486,559	\$ -
Judicial administration	2,283,533	1,219,108	-	-
Public safety	38,708,941	2,408,249	1,259,384	-
Public works	26,141,475	892,579	3,363,002	5,122,055
Health and welfare	8,533,885	-	-	-
Education	45,390,992	-	-	-
Parks, recreation, and cultural	8,312,111	1,421,787	4,500	261,004
Community development	5,236,711	116,379	-	-
Interest on long-term debt	2,679,929	-	-	-
Total governmental activities	\$ 153,649,947	\$ 6,215,492	\$ 5,113,445	\$ 5,383,059
Business-type activities:				
Wastewater	\$ 8,517,385	\$ 11,028,590	\$ -	\$ -
Transportation	5,608,950	752,115	2,995,056	-
Stormwater	6,350,220	2,671,305	448,091	-
Total business-type activities	\$ 20,476,555	\$ 14,452,010	\$ 3,443,147	\$ -
Total primary government	\$ 174,126,502	\$ 20,667,502	\$ 8,556,592	\$ 5,383,059
COMPONENT UNITS:				
School Board	\$ 60,447,198	\$ 495,584	\$ 11,851,192	\$ -
Nonmajor component units:				
Industrial Development Authority	\$ 381,718	\$ 54,611	\$ -	\$ -
Economic Development Authority	852,284	-	-	-
Total nonmajor component units	\$ 1,234,002	\$ 54,611	\$ -	\$ -
Total component units	\$ 61,681,200	\$ 550,195	\$ 11,851,192	\$ -

The accompanying notes to financial statements are an integral part of this statement.

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Nonmajor Component Units
PRIMARY GOVERNMENT:					
Governmental activities:					
General government administration	\$ (15,718,421)	\$ -	\$ (15,718,421)	\$ -	\$ -
Judicial administration	(1,064,425)	-	(1,064,425)	-	-
Public safety	(35,041,308)	-	(35,041,308)	-	-
Public works	(16,763,839)	-	(16,763,839)	-	-
Health and welfare	(8,533,885)	-	(8,533,885)	-	-
Education	(45,390,992)	-	(45,390,992)	-	-
Parks, recreation, and cultural	(6,624,820)	-	(6,624,820)	-	-
Community development	(5,120,332)	-	(5,120,332)	-	-
Interest on long-term debt	(2,679,929)	-	(2,679,929)	-	-
Total governmental activities	\$ (136,937,951)	\$ -	\$ (136,937,951)	\$ -	\$ -
Business-type activities:					
Wastewater	\$ -	\$ 2,511,205	\$ 2,511,205	\$ -	\$ -
Transportation	-	(1,861,779)	(1,861,779)	-	-
Stormwater	-	(3,230,824)	(3,230,824)	-	-
Total business-type activities	\$ -	\$ (2,581,398)	\$ (2,581,398)	\$ -	\$ -
Total primary government	\$ (136,937,951)	\$ (2,581,398)	\$ (139,519,349)	\$ -	\$ -
COMPONENT UNITS:					
School Board	\$ -	\$ -	\$ -	\$ (48,100,422)	\$ -
Nonmajor component units:					
Industrial Development Authority	\$ -	\$ -	\$ -	\$ -	\$ (327,107)
Economic Development Authority	-	-	-	-	(852,284)
Total nonmajor component units	\$ -	\$ -	\$ -	\$ -	\$ (1,179,391)
Total component units	\$ -	\$ -	\$ -	\$ (48,100,422)	\$ (1,179,391)
General revenues:					
General property taxes	\$ 92,837,860	\$ -	\$ 92,837,860	\$ -	\$ -
Local sales and use taxes	13,425,699	-	13,425,699	-	-
Business license taxes	11,583,732	-	11,583,732	-	-
Consumer utility taxes	1,755,559	-	1,755,559	-	-
Meals tax	8,124,128	-	8,124,128	-	-
Franchise tax	3,722,727	-	3,722,727	-	-
Other local taxes	5,565,473	-	5,565,473	-	-
Unrestricted revenues from use of money	3,344,466	2,430	3,346,896	2,355,975	704,905
Contribution from City	-	-	-	42,880,584	92,367
Grants and contributions not restricted to specific programs	5,403,525	-	5,403,525	-	-
Miscellaneous	1,328,816	9,454	1,338,270	-	1,252,551
Transfers	(11,699,556)	11,699,556	-	-	-
Total general revenues and transfers	\$ 135,392,429	\$ 11,711,440	\$ 147,103,869	\$ 45,236,559	\$ 2,049,823
Change in net position	\$ (1,545,522)	\$ 9,130,042	\$ 7,584,520	\$ (2,863,863)	\$ 870,432
Net position - beginning	82,401,102	24,412,223	106,813,325	13,511,749	1,770,279
Net position - ending	\$ 80,855,580	\$ 33,542,265	\$ 114,397,845	\$ 10,647,886	\$ 2,640,711

Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2023

	General	General Capital Projects	ARPA Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 21,114,756	\$ 928,781	\$ 29,324,517	\$ 5,472,342	\$ 56,840,396
Cash and cash equivalents - in custody of others	11,725,394	13,472		-	11,738,866
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	41,041,155	-	-	-	41,041,155
Accounts	1,915,669	-	-	-	1,915,669
Inventories	949,457	-	-	-	949,457
Prepaid items	2,042,644	6,296,672	-	6,694	8,346,010
Due from other funds	2,977,748	-	-	-	2,977,748
Due from other governments	3,032,327	8,050,336	-	-	11,082,663
Due from component units	940,825	160,000	-	-	1,100,825
	<u>85,739,975</u>	<u>15,449,261</u>	<u>29,324,517</u>	<u>5,479,036</u>	<u>135,992,789</u>
Total assets	\$	\$	\$	\$	\$
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,356,906	\$ 7,459,411	\$	\$ 955	\$ 11,817,272
Retainage payable	-	134,002		-	134,002
Customer deposits and other liabilities	2,359,113	242,329	-	-	2,601,442
Due to component unit	561,798	-	-	-	561,798
Unearned revenues	3,202,406	2,225,589	29,324,517	-	34,752,512
	<u>10,480,223</u>	<u>10,061,331</u>	<u>29,324,517</u>	<u>955</u>	<u>49,867,026</u>
Total liabilities	\$	\$	\$	\$	\$
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	\$ 41,375,720	\$ -	\$ -	\$ -	\$ 41,375,720
Unavailable revenue - other	248,683	-	-	-	248,683
	<u>41,624,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,624,403</u>
Total deferred inflows of resources	\$	\$	\$	\$	\$
FUND BALANCES					
Nonspendable	\$ 2,992,101	\$ 6,296,672	\$ -	\$ 6,694	\$ 9,295,467
Restricted	1,153,292	-	-	495,591	1,648,883
Assigned	1,214,794	-	-	4,975,796	6,190,590
Unassigned (deficit)	28,275,162	(908,742)	-	-	27,366,420
	<u>33,635,349</u>	<u>5,387,930</u>	<u>-</u>	<u>5,478,081</u>	<u>44,501,360</u>
Total fund balances (deficit)	\$	\$	\$	\$	\$
Total liabilities, deferred inflows of resources and fund balances	<u>85,739,975</u>	<u>15,449,261</u>	<u>29,324,517</u>	<u>5,479,036</u>	<u>135,992,789</u>

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
At June 30, 2023

		<u>Primary Government</u>
Total fund balances - governmental funds	\$	44,501,360
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:		
Capital assets	\$ 347,720,761	
Accumulated depreciation	<u>(126,159,111)</u>	221,561,650
Unavailable revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		1,209,507
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore are not reported in the funds.		
Deferred charge on refunding	\$ 2,605,602	
Pension related items	30,625,878	
OPEB related items	<u>3,117,466</u>	36,348,946
Long-term liabilities, including bonds payable, are not due and payable in the current current period and therefore are not reported as liabilities in the governmental funds.		
General obligation bonds	\$ (57,000,000)	
Lease revenue bonds	(31,883,000)	
Notes payable	(9,675,000)	
Public facility certificate of participation	(9,313,000)	
Equipment financing arrangements	(1,539,055)	
Lease liabilities	(131,658)	
Subscription liabilities	(548,097)	
Premiums on bonds payable	(1,619,015)	
Net pension liability	(83,251,413)	
Net OPEB liability	(12,656,066)	
Accrued interest on debt	(938,946)	
Compensated absences	<u>(3,296,612)</u>	(211,851,862)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (6,524,780)	
OPEB related items	<u>(4,389,241)</u>	<u>(10,914,021)</u>
Net position of governmental activities	\$	<u>80,855,580</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 Year Ended June 30, 2023

	Governmental Funds				Total Governmental Funds
	General	General Capital Projects	ARPA Fund	Other Governmental Funds	
Revenues:					
General property taxes	\$ 92,841,770	\$ -	\$ -	\$ -	\$ 92,841,770
Other local taxes	41,277,918	-	-	2,899,400	44,177,318
Permits, privilege fees and regulatory licenses	1,738,897	147,392	-	-	1,886,289
Fines and forfeitures	1,216,934	-	-	-	1,216,934
Revenue from use of money and property	3,344,466	-	-	-	3,344,466
Charges for services	3,112,269	-	-	-	3,112,269
Miscellaneous	1,147,928	172,826	-	63,350	1,384,104
Intergovernmental:					
Fairfax County	974,878	-	-	-	974,878
Commonwealth	10,243,247	972,846	-	70,176	11,286,269
Federal	273,723	4,079,033	261,004	-	4,613,760
Total revenues	\$ 156,172,030	\$ 5,372,097	\$ 261,004	\$ 3,032,926	\$ 164,838,057
Expenditures:					
Current:					
General government administration	\$ 12,399,268	\$ 4,036,632	\$ -	\$ -	\$ 16,435,900
Judicial administration	2,283,533	-	-	-	2,283,533
Public safety	31,827,133	1,832,145	-	-	33,659,278
Public works	13,652,900	13,939,773	-	473,909	28,066,582
Health and welfare	8,531,111	-	-	-	8,531,111
Education	41,546,843	238,385	-	-	41,785,228
Parks, recreation, and cultural	7,232,927	1,813,306	-	3,950	9,050,183
Planning and community development	5,209,317	-	-	-	5,209,317
Debt service:					
Principal retirement	9,185,452	186,352	-	-	9,371,804
Interest and other fiscal charges	2,479,037	5,753	-	-	2,484,790
Total expenditures	\$ 134,347,521	\$ 22,052,346	\$ -	\$ 477,859	\$ 156,877,726
Excess (deficiency) of revenues over (under) expenditures	\$ 21,824,509	\$ (16,680,249)	\$ 261,004	\$ 2,555,067	\$ 7,960,331
Other financing sources (uses):					
Subscriptions	\$ -	\$ 80,028	\$ -	\$ -	\$ 80,028
Transfers in	-	23,825,063	-	2,588,595	26,413,658
Transfers (out)	(24,421,050)	-	(261,004)	(7,410,608)	(32,092,662)
Total other financing sources (uses)	\$ (24,421,050)	\$ 23,905,091	\$ (261,004)	\$ (4,822,013)	\$ (5,598,976)
Net changes in fund balances	\$ (2,596,541)	\$ 7,224,842	\$ -	\$ (2,266,946)	\$ 2,361,355
Fund balances (deficit) at beginning of year	36,231,890	(1,836,912)	-	7,745,027	42,140,005
Fund balances (deficit) at end of year	\$ 33,635,349	\$ 5,387,930	\$ -	\$ 5,478,081	\$ 44,501,360

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

	<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ 2,361,355
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment:	
Capital outlay	\$ 9,292,806
Depreciation expense	<u>(10,062,226)</u> (769,420)
Transfer of assets from Primary Government to the Component Unit School Board	(1,333,741)
Transfer of assets from Primary Government to the Stormwater Utility Fund	(6,020,552)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(9,567)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(59,198)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:	
Subscriptions	\$ (80,028)
Principal retired on general obligation debt	4,706,000
Principal retired on public improvement bonds	742,000
Principal retired on lease revenue bonds	2,372,000
Principal retired on notes payable	585,000
Principal retired on lease liabilities	41,407
Principal retired on subscriptions	333,167
Principal retired on equipment financing agreements	<u>592,230</u> 9,291,776
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:	
Change in accrued interest payable	\$ (6,749)
Change in compensated absences	(162,722)
OPEB expense	395,883
Pension expense	(5,044,197)
Amortization of premiums on bonds payable	232,844
Amortization of loss on refunding	<u>(421,234)</u> (5,006,175)
Change in net position of governmental activities	<u>\$ (1,545,522)</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2023

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 91,281,878	\$ 91,281,878	\$ 92,841,770	\$ 1,559,892
Other local taxes	38,244,645	38,253,185	41,277,918	3,024,733
Permits, privilege fees and regulatory licenses	1,729,354	1,729,354	1,738,897	9,543
Fines and forfeitures	1,075,352	1,075,352	1,216,934	141,582
Revenue from use of money and property	984,000	984,000	3,344,466	2,360,466
Charges for services	2,769,149	2,769,149	3,112,269	343,120
Miscellaneous	620,135	1,531,318	1,147,928	(383,390)
Intergovernmental:				
Fairfax County	975,000	975,000	974,878	(122)
Commonwealth	6,481,896	6,601,235	10,243,247	3,642,012
Federal	2,383,664	2,432,359	273,723	(2,158,636)
Total revenues	\$ 146,545,073	\$ 147,632,830	\$ 156,172,030	\$ 8,539,200
Expenditures:				
General government administration:				
Legislative:				
City council	\$ 238,477	\$ 474,477	\$ 280,243	\$ 194,234
City clerk	232,501	232,501	252,856	(20,355)
Total legislative	\$ 470,978	\$ 706,978	\$ 533,099	\$ 173,879
Board of elections:				
Electoral board	\$ 543,152	\$ 543,152	\$ 549,271	\$ (6,119)
General and financial administration:				
City manager	\$ 724,435	\$ 985,378	\$ 829,206	\$ 156,172
City attorney	655,000	655,000	641,943	13,057
Public audit of accounts	91,706	91,706	88,459	3,247
Personnel	1,168,936	1,247,947	1,377,366	(129,419)
Community relations	442,975	442,975	460,041	(17,066)
Cable television	282,809	290,309	291,927	(1,618)
Risk management	399,237	399,402	390,675	8,727
Telephone services	85,006	85,006	73,810	11,196
Information technology	2,053,405	2,156,849	1,998,196	158,653
Printing and office supplies	266,939	282,866	276,642	6,224
Fleet maintenance	-	470,490	-	470,490
Finance and Accounting	1,532,862	1,665,873	1,569,866	96,007
Real estate assessment	779,140	784,994	698,873	86,121
Treasurer	1,134,976	1,135,914	1,077,167	58,747
Commissioner of revenue	1,322,462	1,329,003	1,165,621	163,382
Salary vacancy factor	229,146	812,146	-	812,146
Retirement	272,000	272,000	262,825	9,175
Pool maintenance	30,000	30,000	44,281	(14,281)
Contingencies	1,350,000	1,257,000	70,000	1,187,000
Budget cuts	(2,237,481)	(2,237,481)	-	(2,237,481)
Total general and financial administration	\$ 10,583,553	\$ 12,157,377	\$ 11,316,898	\$ 840,479
Total general government administration	\$ 11,597,683	\$ 13,407,507	\$ 12,399,268	\$ 1,008,239

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2023

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
General district court	\$ 55,120	\$ 55,120	\$ 45,833	\$ 9,287
Joint court service	355,000	355,000	352,329	2,671
Juvenile and domestic relations	600,225	600,225	599,728	497
Commonwealth attorney	278,000	278,000	272,303	5,697
Court services and custody	875,700	875,700	1,013,340	(137,640)
Total judicial administration	\$ 2,164,045	\$ 2,164,045	\$ 2,283,533	\$ (119,488)
Public safety:				
Police administration	\$ 2,198,468	\$ 2,323,338	\$ 2,566,719	\$ (243,381)
Police services	4,458,468	4,547,980	3,959,187	588,793
Police operations	8,020,915	8,067,347	8,453,320	(385,973)
Fire and rescue administration	1,888,369	1,916,586	1,598,395	318,191
Fire and rescue suppression	11,703,522	12,342,582	12,897,495	(554,913)
Code enforcement	2,519,231	2,525,591	2,352,017	173,574
Total public safety	\$ 30,788,973	\$ 31,723,424	\$ 31,827,133	\$ (103,709)
Public works:				
Asphalt maintenance	\$ 1,448,068	\$ 1,471,949	\$ 1,552,275	\$ (80,326)
Concrete maintenance	1,095,114	1,095,671	1,048,245	47,426
Snow and ice removal	374,193	321,254	293,810	27,444
Storm drainage	-	19,678	72,613	(52,935)
Signs, signals, and lighting	2,719,692	2,674,533	2,517,102	157,431
Refuse collection	3,298,095	3,370,018	3,384,449	(14,431)
Environment and sustainability	-	19,540	235,159	(215,619)
Facilities maintenance	1,849,765	2,118,902	1,950,142	168,760
Street rights of way	1,279,102	1,369,363	1,357,604	11,759
Public works administration	1,218,168	1,230,270	1,001,281	228,989
County agent	45,000	45,000	91,278	(46,278)
Regional agencies	246,442	246,442	148,942	97,500
Total public works	\$ 13,573,639	\$ 13,982,620	\$ 13,652,900	\$ 329,720
Health and welfare:				
Health service department	\$ 1,900,000	\$ 1,900,000	\$ 2,111,580	\$ (211,580)
Commission for women	2,350	2,350	1,538	812
Community Services Board	2,479,063	-	2,479,063	(2,479,063)
Senior citizen tax relief	1,160,964	1,160,964	1,131,748	29,216
Human services coordinator	596,641	961,502	502,513	458,989
Housing and community development	-	265,000	287,577	(22,577)
Social services	3,185,461	7,075,819	2,017,092	5,058,727
Total health and welfare	\$ 9,324,479	\$ 11,365,635	\$ 8,531,111	\$ 2,834,524
Education:				
Contribution to Fairfax City School Board	\$ 41,868,541	\$ 42,438,460	\$ 41,546,843	\$ 891,617

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2023

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Parks, recreation and cultural:				
Recreation:				
Recreation - administration	\$ 2,782,898	\$ 2,924,882	\$ 2,279,432	\$ 645,450
Special events	872,162	1,204,662	1,002,893	201,769
Parks and recreation facilities	712,409	745,356	669,513	75,843
Parks and ball field maintenance	1,589,549	1,630,929	1,586,206	44,723
Total recreation	\$ 5,957,018	\$ 6,505,829	\$ 5,538,044	\$ 967,785
Historic services	\$ 871,817	\$ 910,782	\$ 720,005	\$ 190,777
Library services	\$ 975,000	\$ 975,000	\$ 974,878	\$ 122
Total parks, recreation and cultural	\$ 7,803,835	\$ 8,391,611	\$ 7,232,927	\$ 1,158,684
Planning and community development:				
Economic development	\$ 2,137,312	\$ 2,362,979	\$ 2,263,726	\$ 99,253
Planning design and review	1,874,994	2,442,288	1,847,016	595,272
Current planning	1,115,696	1,137,215	1,098,575	38,640
Total planning and community development	\$ 5,128,002	\$ 5,942,482	\$ 5,209,317	\$ 733,165
Debt service:				
Principal retirement	\$ 8,841,229	\$ 8,841,229	\$ 9,185,452	\$ (344,223)
Interest and fiscal charges	2,735,595	2,735,595	2,479,037	256,558
Bond issuance costs	(100,000)	(100,000)	-	(100,000)
Total debt service	\$ 11,476,824	\$ 11,476,824	\$ 11,664,489	\$ (187,665)
Total expenditures	\$ 133,726,021	\$ 140,892,608	\$ 134,347,521	\$ 6,545,087
Excess (deficiency) of revenues over expenditures	\$ 12,819,052	\$ 6,740,222	\$ 21,824,509	\$ 15,084,287
Other financing sources (uses):				
Transfers in	\$ 1,055,000	\$ 1,055,000	\$ -	\$ (1,055,000)
Transfers (out)	(15,660,133)	(31,171,592)	(24,421,050)	6,750,542
Total other financing sources (uses)	\$ (14,605,133)	\$ (30,116,592)	\$ (24,421,050)	\$ 5,695,542
Net changes in fund balance	\$ (1,786,081)	\$ (23,376,370)	\$ (2,596,541)	\$ 20,779,829
Fund balance at beginning of year	1,786,081	23,376,370	36,231,890	12,855,520
Fund balance at end of year	\$ -	\$ -	\$ 33,635,349	\$ 33,635,349

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - ARPA Fund
 Year Ended June 30, 2023

Fund, Function, Activity, Element	ARPA Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Federal	\$ 14,792,760	\$ 14,792,760	\$ 261,004	\$ (14,531,756)
Total revenues	\$ 14,792,760	\$ 14,792,760	\$ 261,004	\$ (14,531,756)
Other financing sources (uses):				
Transfers (out)	\$ (12,835,000)	\$ (12,835,000)	\$ (261,004)	\$ 12,573,996
Total other financing sources (uses)	\$ (12,835,000)	\$ (12,835,000)	\$ (261,004)	\$ 12,573,996
Net changes in fund balance	\$ 1,957,760	\$ 1,957,760	\$ -	\$ (1,957,760)
Fund balance at beginning of year	(1,957,760)	(1,957,760)	-	1,957,760
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position - Proprietary Funds
At June 30, 2023

	Wastewater Fund	Transportation Fund	Stormwater Utility Fund	Nonmajor Fund Water Utility Fund	Totals
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 9,002,190	\$ 3,171,481	\$ 2,006,310	\$ 306,916	\$ 14,486,897
Receivables (net of allowance for uncollectibles):					
Accounts receivable	2,425,227	-	355,121	-	2,780,348
Restricted cash	13,410,346	-	-	-	13,410,346
Prepaid items	2,000	-	-	-	2,000
Total Current Assets	<u>\$ 24,839,763</u>	<u>\$ 3,171,481</u>	<u>\$ 2,361,431</u>	<u>\$ 306,916</u>	<u>\$ 30,679,591</u>
Noncurrent Assets					
Capital assets:					
Land and improvements	\$ 17,583	\$ -	\$ 469,435	\$ -	\$ 487,018
Buildings and improvements	1,264,570	226,958	-	-	1,491,528
Machinery and equipment	2,225,853	3,357,375	1,320,292	-	6,903,520
Infrastructure	15,333,858	-	4,968,612	-	20,302,470
Intangible assets	47,282,155	-	-	-	47,282,155
Construction in progress	921,290	-	656,192	-	1,577,482
Accumulated amortization	(13,958,863)	-	-	-	(13,958,863)
Accumulated depreciation	(8,860,151)	(2,792,523)	(2,600,803)	-	(14,253,477)
Total Capital Assets (net)	<u>\$ 44,226,295</u>	<u>\$ 791,810</u>	<u>\$ 4,813,728</u>	<u>\$ -</u>	<u>\$ 49,831,833</u>
Total Noncurrent Assets	<u>\$ 44,226,295</u>	<u>\$ 791,810</u>	<u>\$ 4,813,728</u>	<u>\$ -</u>	<u>\$ 49,831,833</u>
Total Assets	<u>\$ 69,066,058</u>	<u>\$ 3,963,291</u>	<u>\$ 7,175,159</u>	<u>\$ 306,916</u>	<u>\$ 80,511,424</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 314,161	\$ 785,571	\$ 760,796	\$ -	\$ 1,860,528
OPEB related items	68,516	171,290	68,516	-	308,322
Deferred charge on refunding	430,285	-	-	-	430,285
Total Deferred Outflows of Resources	<u>\$ 812,962</u>	<u>\$ 956,861</u>	<u>\$ 829,312</u>	<u>\$ -</u>	<u>\$ 2,599,135</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 2,284,437	\$ 84,498	\$ 1,045,517	\$ -	\$ 3,414,452
Retainage payable	-	-	23,448	-	23,448
Due to other funds	-	2,881,772	-	95,976	2,977,748
Accrued interest payable	353,677	-	-	-	353,677
Customer deposits and other liabilities	740,705	-	-	306,917	1,047,622
Compensated absences - current portion	2,914	14,625	-	-	17,539
Bonds payable - current portion	793,786	-	-	-	793,786
Total Current Liabilities	<u>\$ 4,175,519</u>	<u>\$ 2,980,895</u>	<u>\$ 1,068,965</u>	<u>\$ 402,893</u>	<u>\$ 8,628,272</u>
Noncurrent Liabilities					
Compensated absences - net of current portion	\$ 30,389	\$ 130,244	\$ 55,777	\$ -	\$ 216,410
Net Pension liability	1,173,518	2,933,798	1,173,518	-	5,280,834
Net OPEB liability	278,155	695,388	278,155	-	1,251,698
Bonds payable - net of current portion	33,333,450	-	-	-	33,333,450
Total Noncurrent Liabilities	<u>\$ 34,815,512</u>	<u>\$ 3,759,430</u>	<u>\$ 1,507,450</u>	<u>\$ -</u>	<u>\$ 40,082,392</u>
Total Liabilities	<u>\$ 38,991,031</u>	<u>\$ 6,740,325</u>	<u>\$ 2,576,415</u>	<u>\$ 402,893</u>	<u>\$ 48,710,664</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related items	\$ 120,009	\$ 286,330	\$ 17,190	\$ -	\$ 423,529
OPEB related items	96,467	241,167	96,467	-	434,101
Total Deferred Inflows of Resources	<u>\$ 216,476</u>	<u>\$ 527,497</u>	<u>\$ 113,657</u>	<u>\$ -</u>	<u>\$ 857,630</u>
NET POSITION					
Net investment in capital assets	\$ 23,939,690	\$ 791,810	\$ 4,813,728	\$ -	\$ 29,545,228
Unrestricted	6,731,823	(3,139,480)	500,671	(95,977)	3,997,037
Total Net Position	<u>\$ 30,671,513</u>	<u>\$ (2,347,670)</u>	<u>\$ 5,314,399</u>	<u>\$ (95,977)</u>	<u>\$ 33,542,265</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position -
 Proprietary Funds
 Year Ended June 30, 2023

	Wastewater Fund	Transportation Fund	Stormwater Utility Fund	Nonmajor Fund Water Utility Fund	Totals
Operating revenues:					
Charges for services	\$ 11,028,590	\$ 752,115	\$ 2,671,305	\$ -	\$ 14,452,010
Total operating revenues	<u>\$ 11,028,590</u>	<u>\$ 752,115</u>	<u>\$ 2,671,305</u>	<u>\$ -</u>	<u>\$ 14,452,010</u>
Operating expenses:					
Salaries	\$ 738,722	\$ 2,234,531	\$ 899,382	\$ -	\$ 3,872,635
Fringe benefits	468,366	1,138,075	1,214,702	-	2,821,143
Contractual services	1,825,475	39,609	35,323	-	1,900,407
Internal services	660,498	1,905,583	175,371	-	2,741,452
Other operating expenses	828,661	10,527	2,475,344	-	3,314,532
Depreciation and amortization	2,476,489	280,625	1,550,098	-	4,307,212
Total operating expenses	<u>\$ 6,998,211</u>	<u>\$ 5,608,950</u>	<u>\$ 6,350,220</u>	<u>\$ -</u>	<u>\$ 18,957,381</u>
Income (loss) from operations	<u>\$ 4,030,379</u>	<u>\$ (4,856,835)</u>	<u>\$ (3,678,915)</u>	<u>\$ -</u>	<u>\$ (4,505,371)</u>
Nonoperating revenues (expenses):					
Investment income	\$ 2,430	-	-	-	\$ 2,430
Interest expense	(1,519,174)	-	-	-	(1,519,174)
Northern Virginia Transportation Commission	-	2,995,056	-	-	2,995,056
State and local grant funds	-	-	448,091	-	448,091
Other	-	-	9,454	-	9,454
Total nonoperating revenues (expenses)	<u>\$ (1,516,744)</u>	<u>\$ 2,995,056</u>	<u>\$ 457,545</u>	<u>\$ -</u>	<u>\$ 1,935,857</u>
Net income (loss) before contributions and transfers	<u>\$ 2,513,635</u>	<u>\$ (1,861,779)</u>	<u>\$ (3,221,370)</u>	<u>\$ -</u>	<u>\$ (2,569,514)</u>
Contributions and transfers:					
Capital contributions	\$ -	-	\$ 6,020,552	-	\$ 6,020,552
Transfers in	-	3,172,101	2,515,217	-	5,687,318
Transfers (out)	(8,314)	-	-	-	(8,314)
Net contributions and transfers	<u>\$ (8,314)</u>	<u>\$ 3,172,101</u>	<u>\$ 8,535,769</u>	<u>\$ -</u>	<u>\$ 11,699,556</u>
Change in net position	<u>\$ 2,505,321</u>	<u>\$ 1,310,322</u>	<u>\$ 5,314,399</u>	<u>\$ -</u>	<u>\$ 9,130,042</u>
Net position (deficit), beginning of year	<u>28,166,192</u>	<u>(3,657,992)</u>	<u>-</u>	<u>(95,977)</u>	<u>24,412,223</u>
Net position (deficit), end of year	<u><u>\$ 30,671,513</u></u>	<u><u>\$ (2,347,670)</u></u>	<u><u>\$ 5,314,399</u></u>	<u><u>\$ (95,977)</u></u>	<u><u>\$ 33,542,265</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2023

	Wastewater Fund	Transportation Fund	Stormwater Utility Fund	Nonmajor Fund Water Utility Fund	Totals
Cash flows from operating activities:					
Receipts from customers and users	\$ 10,877,293	\$ 1,504,595	\$ 2,316,184	\$ -	\$ 14,698,072
Payments to employees (including fringe benefits)	(1,063,520)	(3,164,353)	(1,322,289)	-	(5,550,162)
Payments for operating activities	(3,430,425)	(2,005,088)	(1,640,521)	-	(7,076,034)
Net cash provided by (used for) operating activities	<u>\$ 6,383,348</u>	<u>\$ (3,664,846)</u>	<u>\$ (646,626)</u>	<u>\$ -</u>	<u>\$ 2,071,876</u>
Cash flows from non-capital financing activities:					
Transfers in	\$ -	\$ 3,172,101	\$ 2,515,217	\$ -	\$ 5,687,318
Other	-	-	9,454	-	9,454
Transfers (out)	(8,314)	-	-	-	(8,314)
Intergovernmental grants	-	2,995,056	448,091	-	3,443,147
Net cash provided by (used for) non-capital financing activities	<u>\$ (8,314)</u>	<u>\$ 6,167,157</u>	<u>\$ 2,972,762</u>	<u>\$ -</u>	<u>\$ 9,131,605</u>
Cash flows from capital and related financing activities:					
Purchase and construction of capital assets	\$ (5,431,553)	\$ (83,029)	\$ (319,826)	\$ -	\$ (5,834,408)
Proceeds from long-term indebtedness issued	14,442,287	-	-	-	14,442,287
Principal paid on bonds and notes	(630,000)	-	-	-	(630,000)
Interest paid on debt	(1,052,821)	-	-	-	(1,052,821)
Net cash provided by (used for) capital and related financing activities	<u>\$ 7,327,913</u>	<u>\$ (83,029)</u>	<u>\$ (319,826)</u>	<u>\$ -</u>	<u>\$ 6,925,058</u>
Cash flows from investing activities:					
Interest income	\$ 2,430	\$ -	\$ -	\$ -	\$ 2,430
Net increase (decrease) in cash and cash equivalents	<u>\$ 13,705,377</u>	<u>\$ 2,419,282</u>	<u>\$ 2,006,310</u>	<u>\$ -</u>	<u>\$ 18,130,969</u>
Cash and cash equivalents at beginning of year	8,707,159	752,199	-	306,916	9,766,274
Cash and cash equivalents at end of year	<u>\$ 22,412,536</u>	<u>\$ 3,171,481</u>	<u>\$ 2,006,310</u>	<u>\$ 306,916</u>	<u>\$ 27,897,243</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Cash flows from operations:					
Income (loss) from operations	\$ 4,030,379	\$ (4,856,835)	\$ (3,678,915)	\$ -	\$ (4,505,371)
Adjustment to reconcile net income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	2,476,489	280,625	1,550,098	-	4,307,212
Changes in operating accounts:					
(Increase) decrease in:					
Accounts receivable	(273,176)	-	(355,121)	-	(628,297)
Prepaid items	5,957	-	-	-	5,957
Due from other governments	-	752,480	-	-	752,480
Increase (decrease) in:					
Accounts payable and accrued liabilities	(121,748)	(49,369)	1,045,517	-	874,400
Compensated absences	(30,220)	(22,134)	55,777	-	3,423
Net OPEB activity	(1,931)	(4,828)	306,106	-	299,347
Net pension activity	175,719	235,215	429,912	-	840,846
Customer deposits and other liabilities	121,879	-	-	-	121,879
Net cash provided by (used for) operating activities	<u>\$ 6,383,348</u>	<u>\$ (3,664,846)</u>	<u>\$ (646,626)</u>	<u>\$ -</u>	<u>\$ 2,071,876</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2023

Assets	
Mutual and money market funds	\$ 135,931,747
Stocks	45,547
Accrued interest	<u>10,114</u>
Total assets	\$ <u><u>135,987,408</u></u>
Net Position	
Restricted for pension benefits	\$ <u><u>135,987,408</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2023

Additions

Plan members and employer contributions	\$ <u>6,192,595</u>
Investment income:	
Interest and dividends earned on investments	\$ 1,673,762
Net appreciation in fair value of investments	<u>9,503,581</u>
Total investment income	\$ 11,177,343
Less: Investment expenses	<u>604,200</u>
Net investment income	\$ <u>10,573,143</u>
 Total additions	 \$ <u>16,765,738</u>

Deductions

Retirement and disability benefits	\$ <u>9,987,471</u>
 Total deductions	 \$ <u>9,987,471</u>
 Change in net position	 \$ 6,778,267
Net position - beginning	<u>129,209,141</u>
Net position - ending	\$ <u><u>135,987,408</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements June 30, 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fairfax, Virginia, conform with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

A. Entity and Services

The City of Fairfax, Virginia (the "City") is a political subdivision of the Commonwealth of Virginia. Cities in Virginia are separate from counties, and thus, the City is not part of any other political subdivision. Citizens elect a Mayor and a six-member City Council to two-year terms and a Treasurer and Commissioner of Revenue to four-year terms. The Mayor and the Council appoint a City Manager to act as chief executive.

The City provides the following services: public safety (police and fire), community development (e.g., planning and zoning), public works (e.g., streets), sewage collection, refuse collection, and local bus service. The City contracts with Fairfax County and the Commonwealth of Virginia to provide the following services to its residents: courts, correctional facilities, educational services (in City-owned buildings), welfare, libraries, and sewage treatment.

B. Financial Reporting Entity

As required by GAAP, the accompanying financial statements present the financial data of the City (the Primary Government) and its component units. The financial data of the component units are included in the City's basic financial statements because of the significance of their operational or financial relationships with the City. The City and its component units are together referred to herein as the reporting entity.

Discretely Presented Component Units - Discretely presented component units are reported separate from the primary government to emphasize that they are both legally and substantially separate from the City. The following organizations have been included in the reporting entity as discretely presented component units:

City of Fairfax School Board - The City of Fairfax School Board is responsible for educating the school age population of the City facilitated through a contractual school services agreement with the County of Fairfax, Virginia. The City of Fairfax School Board consists of five (5) qualified voters of the City elected by popular vote at large. The School Board is fiscally dependent upon the City because the City Council approves the annual budget of the School Board, levies the necessary taxes to finance operations and approves the borrowing of money and issuance of debt. Further, the City is enjoined in the School Service Agreement for tuition under the County contract. The School Board does not issue separate financial statements and, as such, they have been included in these statements. The School Board utilizes an operating and a capital projects fund:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the City and state and federal grants.

School Bond Renovation Fund - Accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Financial Reporting Entity: (Continued)

Discretely Presented Component Units: (Continued)

Industrial Development Authority (IDA) and Economic Development Authority (EDA) - These Authorities have responsibility for encouraging industrial and commercial development in the City and making recommendations to City Council. Each of these Authorities has a Board consisting of seven directors appointed by City Council. Although the Authorities are legally separate, they are fiscally dependent on the City, which also acts as their fiscal agent by paying all their personnel and administrative expenses associated with the Authorities. Separate financial statements are not issued.

Industrial Development Authority Fund - accounts for and reports the general operations of the IDA with financing provided by rental income from owned properties.

Economic Development Authority Fund - accounts for and reports the general operations of the EDA with financing provided through miscellaneous reimbursements.

Other Related Organizations not included in these Financial Statements

Fairfax Volunteer Fire Department, Inc. - Fairfax Volunteer Fire Department, Inc. is organized as a volunteer firefighting organization and is designed as a Fire Company of the City. The Department Chief is the Department Head, appointed by the City Manager, after consultation with the Board of Directors of the Fairfax Volunteer Fire Department, Inc., and with concurrence of City Council. The Department Chief has responsibility and authority for all operations and administration of the Department. The City cannot impose its will on the Volunteer Fire Department or override or modify the decisions of the Board of Directors. The Volunteer Fire Department is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

Historic Fairfax City, Inc. - Historic Fairfax, Inc. - was incorporated in 1983 as a non-profit corporation for the purpose of promoting and preserving historic properties and increasing public awareness and appreciation of the history of the City of Fairfax and the Courthouse area. The Board consists of fourteen (14) members. Five (5) members are appointed by City Council. The Corporation is legally separate, and the City cannot impose its will on the Corporation. The Corporation is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

Northern Virginia Regional Park Authority - The Northern Virginia Regional Park Authority (NVRPA) was created under the authority of the Code of Virginia, Title 15.1, Chapter 27-Park Authorities Act, for the purpose of planning, acquiring, developing, constructing, operating, and maintaining a system of regional parks within the geographical limits of the political subdivisions composing the said Authority. The bylaws were adopted on February 3, 1959 and amended on April 14, 1965. The NVRPA consists of twelve (12) members. Two (2) members are appointed by City Council. The NVRPA is legally separate and the City cannot impose its will on the NVRPA, which is also fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and proprietary fund categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Operating grants and contributions include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants. Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's proprietary funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented to briefly explain the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. The proprietary funds utilize the accrual basis of accounting, where the measurement focus is upon determination of net income.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Government-Wide and Fund Financial Statements: (Continued)

The City's fiduciary funds are two pension trust funds and since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

The following is a brief description of the specific funds used by the City:

Governmental Funds - Account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds, and utilize the modified accrual basis of accounting, where the measurement focus is upon determination of financial position and changes in financial position, rather than the determination of net income. The individual governmental funds are:

General Fund - The primary operating fund of the City and is used to account for and report all revenues and expenditures applicable to the general operations of the City, which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. Many of the more important activities of the City, including operation of the City's general service departments, street and highway maintenance, public safety, parks, cemetery, library and recreation programs, are accounted for in this fund. The General Fund is considered a major fund for financial reporting purposes.

Capital Projects Funds - Account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds. The General Capital Projects Fund is considered a major fund. The Stormwater Fund is reported as a nonmajor fund.

Special Revenue Funds - Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The ARPA Fund is considered a major fund. The Commercial Transportation Tax Fund, the Legacy for Fairfax Fund and Old Town Fairfax Fund are reported as nonmajor funds.

Proprietary Funds - Account for operations that are financed in a manner similar to private business enterprises wherein the measurement focus is upon determination of net income, net position, and changes in net position. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City's enterprise funds consist of the following:

Wastewater Fund - This major fund is used to account for the operation and maintenance of the City's sanitary sewer system.

Transportation Fund -- This major fund is used to account for the operation and maintenance of the City's CUE Bus System, which receives funding through grants from the Commonwealth and the Federal government as well as Commercial Transportation Tax Fund transfers and charges for services.

Water Utility Fund - This nonmajor fund is used to account for the remaining activities after the sale of the City's water system in a prior fiscal year.

Stormwater Utility Fund - This major fund is used to account for the operation and maintenance of the City's stormwater system.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Government-Wide and Fund Financial Statements: (Continued)

Fiduciary Funds - Account for assets held by the City in a trustee capacity and utilize the accrual basis of accounting. The following funds are included in this fund type:

City Supplemental Pension Trust Fund - Accounts for pension funds for the City's full-time general employees.

Firefighters, Policemen, and Policewomen Pension Trust Fund - Accounts for pension funds for the City's full-time public safety personnel.

D. Basis of Accounting

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide Statement of Net Position and Statement of Activities, all proprietary funds, and private purpose trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The Statement of Net Position, Statement of Activities, proprietary and fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The governmental fund financial statements, for the Primary Government and component units, are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectable amounts. Property taxes not collected within 45 days after year-end are reflected as deferred inflows of resources - unavailable revenues taxes. Sales and utility taxes, which are collected by the Commonwealth or utilities and subsequently remitted to the City, are recognized as revenues and receivable upon collection, which is generally one or two months preceding receipt by the City. Licenses, permits, fines, and rents are recorded revenues when received.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Basis of Accounting: (Continued)

Intergovernmental revenues, consisting primarily of Federal, state, and other grants for the purpose of funding specific expenditures, are recognized when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the City receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts (e.g., other postemployment benefits), which are recognized when paid, and (2) principal and interest payments on general long-term debt, including lease and subscription liabilities, both of which are recognized when due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

E. Stewardship, Compliance, and Accountability

Budgeting Information

The City Council's fiscal control is exercised through two distinct processes: budgeting and appropriations. The City budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. The City Council adopts an annual budget for the General Fund and ARPA Fund. Budgets for the Capital Projects Funds, Old Town Fairfax Fund, the Commercial Transportation Tax Fund and the Stormwater Fund are prepared annually as part of a five-year plan for capital improvements and represent project-length budgets. Budgets for the enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

When the budget becomes effective at the beginning of the fiscal year, the City Council must make appropriations before money may be expended for any budgeted program, project or operation. Appropriations are made on an annual basis with supplemental appropriations made as needed. Such appropriations may be greater than contemplated in the annual budget. All appropriations lapse at year-end.

The City's appropriated budget is prepared by fund and department. Appropriations are legally controlled at the department level. The budget is administratively controlled at the department level. The City Manager may approve all transfers within the same department. All other transfers must be approved by City Council. A supplemental appropriation which exceeds one percent of total expenditures shown in the currently adopted budget must be accomplished by publishing a notice of public hearing in a newspaper having general circulation in the City seven days prior to the hearing. The notice shall state the City's intent to amend the amounts to be appropriated and include a brief synopsis of the proposed action. The City Council approved supplemental appropriations that increased the General Fund original budget by \$6,545,087 in the general fund.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Stewardship, Compliance, and Accountability: (Continued)

Budgeting Information: (Continued)

The budgets are prepared using the same accounting basis and practices as are used to account for and prepare the financial reports for the fund; thus, the budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

Encumbrance accounting, under which purchase orders and contracts are recorded to commit that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year end are not included as expenditures but are reported as commitments of fund balances in all funds and are reappropriated in the following year. Encumbrances totaled \$1,214,794 for the General Fund as of June 30, 2023.

Excess of expenditures over appropriations

Expenditures exceeded appropriations for the year ended June 30, 2023 as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
City clerk	\$ 232,501	\$ 252,856	\$ (20,355)
Electoral board	543,152	549,271	(6,119)
Personnel	1,247,947	1,377,366	(129,419)
Community relations	442,975	460,041	(17,066)
Cable television	290,309	291,927	(1,618)
Pool maintenance	30,000	44,281	(14,281)
Court services and custody	875,700	1,013,340	(137,640)
Police administration	2,323,338	2,566,719	(243,381)
Police operations	8,067,347	8,453,320	(385,973)
Fire and rescue suppression	12,342,582	12,897,495	(554,913)
Asphalt maintenance	1,471,949	1,552,275	(80,326)
Storm drainage	19,678	72,613	(52,935)
Refuse collection	3,370,018	3,384,449	(14,431)
Environment and sustainability	19,540	235,159	(215,619)
County agent	45,000	91,278	(46,278)
Health service department	1,900,000	2,111,580	(211,580)
Community Services Board	-	2,479,063	(2,479,063)
Housing and community development	265,000	287,577	(22,577)
Principal retirement	8,841,229	9,185,452	(344,223)

F. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

F. Cash and Cash Equivalents: (Continued)

Cash of individual funds (other than the Industrial Development Authority and the Economic Development Authority) is combined to form a pool of cash and investments. The pool consists primarily of certificates of deposit, repurchase agreements, government and corporate obligations, commercial paper, and the Commonwealth of Virginia’s Local Government Investment Pool (LGIP). All securities are stated at fair value, based on quoted market prices and the investment in the LGIP and SNAP, which operates in accordance with appropriate state laws and regulations, is reported at amortized cost. The reported value of the pool is the same as the fair value of the pool shares. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on month-end balances. All investments are stated at fair value.

G. Inventories and Prepaid Items

Inventory is stated at cost (first-in, first-out), which is not in excess of market value. It consists primarily of operating materials held for consumption and or supplies for repairs and maintenance. Prepaid items are reported on the Consumption Method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$270,869 at June 30, 2023 in the General Fund for property taxes.

Property taxes are levied as of January 1 based on the assessed value of real and personal property as of that date. The City’s legal right to collect property taxes attaches each year when the rates are approved, and the taxes are assessed. Real estate taxes are collectible twice a year, on June 26 and December 5. Personal property taxes are due on October 5. Amounts not collected within 45 days after year-end are reflected as unavailable revenue.

	<u>Real Property</u>	<u>Personal Property</u>
Levy date	January 1	January 1
Due date and collection date	June 26 and December 5	October 5
Lien date for delinquent taxes	3 years from due date	Various

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the proprietary funds and in the government-wide financial statements to the extent the City’s capitalizations threshold is met. The City capitalizes assets which have an initial cost of \$10,000 or more per unit (\$5,000 for assets purchased with Federal monies) and a useable life of two or more years. “Infrastructure” assets (roads, bridges, curbs, gutters, etc.) are capitalized when the initial cost exceeds \$50,000. Repairs and maintenance are charged to operations as they are incurred. Additions and betterments are capitalized. The cost of assets retired, along with accumulated depreciation, are removed from the accounts.

All capital assets are included in the financial statements at historical cost or estimated historical cost if actual cost is not available (except for intangible right-to-use lease and subscription assets, the measurement of which is discussed in more detail below). Donated capital assets are valued at their acquisition value on the date donated.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, subscription assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Infrastructure	12-75 years
Wastewater infrastructure	25-50 years
Machinery and equipment	5-25 years
Intangibles	25-32 years
Subscription assets	1 - 5 years
Lease machinery and equipment	1 - 5 years
Lease buildings	1 - 13 years

Capital assets having historical significance and being maintained by the City, which are not expected to decrease in value and, are not being depreciated.

J. Compensated Absences

City employees accumulate vacation leave hours for subsequent use up to the maximum of 300 hours per employee. Unused vacation in excess of 300 hours is credited toward sick leave. Sick leave does not vest with the employee and is not accrued; however, unused sick leave is credited toward years of service for retirement purposes.

All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. For governmental fund types, the amount of accumulated unpaid vacation leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirement or resignation. For City proprietary funds the cost of vacation and sick leave is recorded as a liability when earned.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. One type of deferred outflow of resources relates to the amount by which the principal and premium of a refunding bond exceeded the net carrying amount of the refunded debt and is being amortized over the shorter of the life of the refunded or refunding debt. Other deferred outflows are related to pension and OPEB. For more information on these items, reference the related notes.

In addition to liabilities, the financial statements includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources, under the modified accrual basis of accounting, representing property taxes receivable, are reported in the governmental funds' Balance Sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year to fund the next fiscal year and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. Deferred inflows of resources are also reported for amounts related to pensions, leases, and OPEB. For more information on these items, reference the related notes.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's and School Board's Retirement Plan and the additions to/deductions from the City's and School Board's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

O. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

P. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Q. Component Unit-School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the City who issues the debt on behalf of the School Board. However, the Code of Virginia requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Q. Component Unit-School Board Capital Asset and Debt Presentation: (Continued)

In the Statement of Net Position, this scenario presents a dilemma for the City as debt issued on behalf of the School Board is reported as a liability of the Primary Government, thereby reducing the net position of the City. The corresponding capital assets are reported as assets of the School Board (title holder), thereby increasing its net position.

The Virginia General Assembly amended the Code of Virginia to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

R. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as well as the disclosure of contingent amounts at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

S. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” City/County/Town’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- *Nonspendable Fund Balance* - Amounts that are either not in spendable form (such as inventory and prepaids); or are legally or contractually required to be maintained intact (corpus of a permanent fund)
- *Restricted Fund Balance* - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- *Committed Fund Balance* - Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (e.g., Council ordinance); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- *Assigned Fund Balance* - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, and
- *Unassigned Fund Balance* - Amounts that are available for any purpose; positive amounts are only reported in the general fund.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

S. Fund Balance: (Continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the City’s policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). In accordance with City policy, assigned fund balance is established by City Council or the Chief Financial Officer as amounts intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	\$ 949,457	\$ -	\$ -	\$ 949,457
Prepays	2,042,644	6,296,672	6,694	8,346,010
Total Nonspendable Fund Balance	<u>\$ 2,992,101</u>	<u>\$ 6,296,672</u>	<u>\$ 6,694</u>	<u>\$ 9,295,467</u>
Restricted:				
Grants	\$ 536,707	\$ -	\$ 70,176	\$ 606,883
Legacy for Fairfax donations	-	-	425,415	425,415
Debt proceeds	9,919	-	-	9,919
Other purposes	606,666	-	-	606,666
Total Restricted Fund Balance	<u>\$ 1,153,292</u>	<u>\$ -</u>	<u>\$ 495,591</u>	<u>\$ 1,648,883</u>
Assigned:				
Equipment replacement/maintenance	\$ 178,581	\$ -	\$ -	\$ 178,581
Contract services	1,027,439	-	-	1,027,439
Capital projects	-	-	4,975,796	4,975,796
Other purposes	8,774	-	-	8,774
Total Assigned Fund Balance	<u>\$ 1,214,794</u>	<u>\$ -</u>	<u>\$ 4,975,796</u>	<u>\$ 6,190,590</u>
Unassigned Fund Balance (Deficit)	<u>\$ 28,275,162</u>	<u>\$ (908,742)</u>	<u>\$ -</u>	<u>\$ 27,366,420</u>
Total Fund Balances (Deficit)	<u>\$ 33,635,349</u>	<u>\$ 5,387,930</u>	<u>\$ 5,478,081</u>	<u>\$ 44,501,360</u>

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

T. Leases and Subscription-Based IT Arrangements

The City has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Lessee

The City recognize lease liabilities and intangible right-to-use lease assets (lease assets) in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The City recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Subscriptions

The City recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

T. Leases and Subscription-Based IT Arrangements: (Continued)

Key Estimates and Judgments

Lease and subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

- The City uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the City uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.
- The lease and subscription terms include the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease receivable (lessor), lease liability (lessee) or subscription liability.

The City monitors changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The City will remeasure the lease receivable and deferred inflows of resources (lessor), the lease asset and liability (lessee) or the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease receivable, lease liability or subscription liability.

U. Adoption of Accounting Principles:

The City implemented provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based IT Arrangements* (SBITAs) during the fiscal year ended June 30, 2023. Statement No. 96, *SBITAs* requires recognition of certain subscription assets and liabilities for certain contracts that convey control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2022 related to the subscriptions:

	Governmental Activities
Subscription assets	\$ 801,236
Subscription liabilities	\$ 801,236

NOTE 2—DEPOSITS AND INVESTMENTS

Deposits - Deposits with banks are covered by the Federal Deposit Insurance Corporation (“FDIC”) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2- 4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investment Policy - State statutes and the City’s investment policy authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (“World Bank”), the Asian Development Bank, the African Development Bank “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), and certain corporate notes banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Sec. 2.2-4605 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at its regularly scheduled monthly meetings.

Investment in SNAP is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the Code of Virginia, the Government Non-Arbitrage Investment Act, authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing (“Virginia governments”) in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof.

The policies and standards that regulate specific investments and the composition of the investment portfolio shall include, but not be limited to, the following:

- No investment shall be purchased if the yield is less than that of the most recently auctioned issue of the United States Treasury of a similar term.
- At no time shall more than 35% of the portfolio be invested in commercial paper.
- No more than 10% of the portfolio shall be invested in the commercial paper of a single entity.
- At no time shall the aggregate dollar amount of securities with maturity dates in excess of six months exceed 10% of the total budget of the City for the current fiscal year.
- The Treasurer shall avoid an excessive concentration in any type of investment and an excessive number of investment transactions with any financial institution or broker/dealer.
- The Treasurer shall use the average of the three-month Treasury bill auctions for a quarter as a benchmark for the return on the investment portfolio.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

The Treasury may direct SNAP to invest bond proceeds in securities with maturities greater than one year if it is determined that such bond proceeds will be redeemed more than one year in the future. Further, investments of \$500,000 or more must be selected on a competitive basis. The Treasurer may purchase or sell investments at his discretion without competition provided that the securities involved meet all the criteria for allowed investments and do not exceed \$500,000. Consideration for the safety of capital shall be paramount over the probable income to be derived. There are also certain standards of “adequacy” and “appropriateness” set by the Treasurer, in addition to the credit worthiness of an institution that must be considered.

Credit Risk of Debt Securities - As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investor Service.

City's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	AA+
U.S. Agencies	\$ -	\$ 10,129,129
Local Government Investment Pool	43,477,632	-
Money Market Mutual Funds	95,818	-
SNAP	19,259,187	-
Total	<u>\$ 62,832,637</u>	<u>\$ 10,129,129</u>

External Investment Pools

The value of the positions in the external investment pool (Local Government Investment Pool (LGIP) and SNAP) are the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

Concentration of Credit Risk - Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2023, no portion of the City’s portfolio, excluding the LGIP, SNAP, and U.S. Government money market mutual funds, exceeded 5% of the total portfolio.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk - Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from rising interest rates, the City’s policy limits the investment of operating funds to investments with a stated maturity of no more than two years from the date of purchase.

Investment Type	Investment Maturities			
	Fair Value	Less Than 1 Year	1-5 Years	Greater Than 10 Years
U.S. Agencies	\$ 10,129,129	\$ 778,039	\$ 9,272,385	\$ 78,705
Local Government Investment Pool	43,477,632	43,477,632	-	-
SNAP	19,259,187	19,259,187	-	-
Total	<u>\$ 72,865,948</u>	<u>\$ 63,514,858</u>	<u>\$ 9,272,385</u>	<u>\$ 78,705</u>

Fair Value Measurements - The City categorizes their fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, level 2 inputs are quoted prices in active markets for similar assets, and level 3 inputs are unobservable inputs. The City gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Investments that are measured at fair value using amortized cost in determining the net asset value per share are not classified in the fair value hierarchy.

The City has the following recurring fair value measurements at June 30, 2023:

Investment	June 30, 20223	Fair Value Measure Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices In Active Markets for Similar Assets Level (2)	Unobservable Inputs Level (3)
U.S. Agencies	\$ 10,129,129	\$ 10,129,129	\$ -	\$ -
Money Market Mutual Funds	95,818	95,818	-	-
Total	<u>\$ 10,224,947</u>	<u>\$ 10,224,947</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools: (Continued)

The City’s fiduciary funds had the following recurring fair value measurements at June 30, 2023:

<u>Investment</u>	<u>June 30, 2023</u>	<u>Fair Value Measure Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Quoted Prices In Active Markets for Similar Assets Level (2)</u>	<u>Unobservable Inputs Level (3)</u>
Mutual and money market funds	\$ 135,931,747	\$ 94,340,002	\$ 41,591,745	\$ -
Equities	45,547	45,547	-	-
Total	<u>\$ 135,977,294</u>	<u>\$ 94,385,549</u>	<u>\$ 41,591,745</u>	<u>\$ -</u>

NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The City determines its allowances using historical collection data, specific account analysis and management’s judgment. Receivables at June 30, 2023 for the City’s individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

	<u>Governmental Activities General Fund</u>	<u>Business-type Activities Wastewater Fund</u>	<u>Totals</u>
Property taxes	\$ 41,312,024	\$ -	\$ 41,312,024
Trade and other accounts	1,915,669	2,780,348	4,696,017
Gross receivables	\$ 43,227,693	\$ 2,780,348	\$ 46,008,041
Less allowance for uncollectible accounts	(270,869)	-	(270,869)
Net receivables	<u>\$ 42,956,824</u>	<u>\$ 2,780,348</u>	<u>\$ 45,737,172</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS: (CONTINUED)

Governmental funds report deferred/unavailable/unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred/unavailable revenue and unearned revenue reported were as follows:

	<u>Unavailable/Unearned</u>	
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Funds</u>
Property taxes receivable \$	39,780,620	\$ 40,741,444
Prepaid property taxes	634,276	634,276
American rescue plan	29,324,517	29,324,517
Other	5,427,995	5,676,678
Total	<u>\$ 75,167,408</u>	<u>\$ 76,376,915</u>

Amounts due from other governments include the following:

	<u>Governmental Activities</u>			<u>Component</u>
	<u>General</u>	<u>Capital</u>	<u>Total</u>	<u>Unit</u>
	<u>General</u>	<u>Projects</u>	<u>Primary</u>	<u>School</u>
	<u>General</u>	<u>Fund</u>	<u>Government</u>	<u>Board</u>
Commonwealth of Virginia:				
Local sales tax	\$ 2,248,666	\$ -	\$ 2,248,666	\$ -
Communication sales tax	250,406	-	250,406	-
State sales tax	-	-	-	635,681
Other	172,533	5,158,781	5,331,314	524,627
Federal government	148,907	2,675,567	2,824,474	-
District Court	39,770	-	39,770	-
Other	172,045	215,988	388,033	-
Total	<u>\$ 3,032,327</u>	<u>\$ 8,050,336</u>	<u>\$ 11,082,663</u>	<u>\$ 1,160,308</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 4—DUE TO/FROM PRIMARY GOVERNMENT BALANCES, ADVANCES AND TRANSFERS:

Interfund receivables and payables related to working capital loans at June 30, 2023 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 2,977,748	\$ -
Transportation Fund	-	2,881,772
Water Utility Fund	-	95,976
Total	<u>\$ 2,977,748</u>	<u>\$ 2,977,748</u>

A summary of interfund activity is presented as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 24,421,050
Capital Projects Fund	23,825,063	-
ARPA Fund	-	261,004
Old Town Fairfax Fund	189,188	-
Commercial Transportation Tax Fund	2,399,407	4,903,705
Stormwater Fund	-	2,506,903
Stormwater Utility Fund	2,515,217	-
Wastewater Fund	-	8,314
Transportation Fund	3,172,101	-
Totals	<u>\$ 32,100,976</u>	<u>\$ 32,100,976</u>

NOTE 5—INVENTORY:

At June 30, 2023, the City has inventory recorded in the General Fund (\$949,457 of expendable supplies) and Economic Development Authority (\$862,594 of land and building held for resale).

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of capital asset activity for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>GASB 96 Implementation</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Primary Government:					
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 61,126,948	-	-	\$ 469,435	\$ 60,657,513
Construction in progress	<u>5,249,645</u>	-	<u>3,176,809</u>	<u>359,410</u>	<u>8,067,044</u>
Total capital assets, not being depreciated	<u>\$ 66,376,593</u>	<u>\$ -</u>	<u>\$ 3,176,809</u>	<u>\$ 828,845</u>	<u>\$ 68,724,557</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 75,031,889	-	-	-	\$ 75,031,889
Machinery and equipment	35,822,346	-	2,668,613	1,951,873	36,539,086
Lease machinery and equipment	202,501	-	-	6,620	195,881
Subscription assets	-	801,236	80,028	-	881,264
Jointly owned assets	56,531,572	-	-	3,299,142	53,232,430
Infrastructure	<u>114,716,911</u>	<u>-</u>	<u>3,367,356</u>	<u>4,968,613</u>	<u>113,115,654</u>
Total capital assets being depreciated	<u>\$ 282,305,219</u>	<u>\$ 801,236</u>	<u>\$ 6,115,997</u>	<u>\$ 10,226,248</u>	<u>\$ 278,996,204</u>
Accumulated depreciation:					
Buildings and improvements	\$ 24,793,039	-	1,977,379	-	\$ 26,770,418
Machinery and equipment	20,501,500	-	2,148,887	1,523,548	21,126,839
Lease machinery and equipment	28,050	-	42,013	6,620	63,443
Subscription assets	-	-	303,880	-	303,880
Jointly owned assets	45,118,065	-	2,272,023	1,965,401	45,424,687
Infrastructure	<u>29,347,464</u>	<u>-</u>	<u>3,318,044</u>	<u>195,664</u>	<u>32,469,844</u>
Total accumulated depreciation	<u>\$ 119,788,118</u>	<u>\$ -</u>	<u>\$ 10,062,226</u>	<u>\$ 3,691,233</u>	<u>\$ 126,159,111</u>
Total capital assets being depreciated, net	<u>\$ 162,517,101</u>	<u>\$ 801,236</u>	<u>\$ (3,946,229)</u>	<u>\$ 6,535,015</u>	<u>\$ 152,837,093</u>
Governmental activities capital assets, net	<u>\$ 228,893,694</u>	<u>\$ 801,236</u>	<u>\$ (769,420)</u>	<u>\$ 7,363,860</u>	<u>\$ 221,561,650</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Business-type Activities:				
Wastewater Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 17,583	\$ -	\$ -	\$ 17,583
Construction in Progress	341,876	579,414	-	921,290
Total capital assets, not being depreciated	<u>\$ 359,459</u>	<u>\$ 579,414</u>	<u>\$ -</u>	<u>\$ 938,873</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,264,570	\$ -	\$ -	\$ 1,264,570
Machinery and equipment	2,508,453	38,180	320,780	2,225,853
Intangibles	42,826,532	4,455,623	-	47,282,155
Infrastructure	15,333,858	-	-	15,333,858
Total capital assets being depreciated, net	<u>\$ 61,933,413</u>	<u>\$ 4,493,803</u>	<u>\$ 320,780</u>	<u>\$ 66,106,436</u>
Accumulated depreciation:				
Buildings and improvements	\$ 381,157	\$ 25,291	\$ -	\$ 406,448
Machinery and equipment	1,680,945	132,224	274,286	1,538,883
Intangibles	12,037,889	1,920,974	-	13,958,863
Infrastructure	6,516,820	398,000	-	6,914,820
Total accumulated depreciation	<u>\$ 20,616,811</u>	<u>\$ 2,476,489</u>	<u>\$ 274,286</u>	<u>\$ 22,819,014</u>
Total capital assets being depreciated, net	<u>\$ 41,316,602</u>	<u>\$ 2,017,314</u>	<u>\$ 46,494</u>	<u>\$ 43,287,422</u>
Net capital assets	<u>\$ 41,676,061</u>	<u>\$ 2,596,728</u>	<u>\$ 46,494</u>	<u>\$ 44,226,295</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Business-type Activities: (Continued)				
Transportation Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 226,958	\$ -	\$ -	\$ 226,958
Machinery and equipment	<u>3,274,346</u>	<u>83,029</u>	<u>-</u>	<u>3,357,375</u>
Total capital assets being depreciated	\$ <u>3,501,304</u>	\$ <u>83,029</u>	\$ <u>-</u>	\$ <u>3,584,333</u>
Accumulated depreciation:				
Buildings and improvements	\$ 81,705	\$ 4,539	\$ -	\$ 86,244
Machinery and equipment	<u>2,430,193</u>	<u>276,086</u>	<u>-</u>	<u>2,706,279</u>
Total accumulated depreciation	\$ <u>2,511,898</u>	\$ <u>280,625</u>	\$ <u>-</u>	\$ <u>2,792,523</u>
Total capital assets being depreciated, net	\$ <u>989,406</u>	\$ <u>(197,596)</u>	\$ <u>-</u>	\$ <u>791,810</u>
Net capital assets	<u>\$ 989,406</u>	<u>\$ (197,596)</u>	<u>\$ -</u>	<u>\$ 791,810</u>
	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Business-type Activities:				
Stormwater Utility Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ -	\$ 469,435	\$ -	\$ 469,435
Construction in Progress	<u>-</u>	<u>656,192</u>	<u>-</u>	<u>656,192</u>
Total capital assets, not being depreciated	\$ <u>-</u>	\$ <u>1,125,627</u>	\$ <u>-</u>	\$ <u>1,125,627</u>
Capital assets being depreciated:				
Machinery and equipment	\$ -	\$ 1,320,292	\$ -	\$ 1,320,292
Infrastructure	<u>-</u>	<u>4,968,612</u>	<u>-</u>	<u>4,968,612</u>
Total capital assets being depreciated, net	\$ <u>-</u>	\$ <u>6,288,904</u>	\$ <u>-</u>	\$ <u>6,288,904</u>
Accumulated depreciation:				
Machinery and equipment	\$ -	\$ 1,818,146	\$ -	\$ 1,818,146
Infrastructure	<u>-</u>	<u>782,657</u>	<u>-</u>	<u>782,657</u>
Total accumulated depreciation	\$ <u>-</u>	\$ <u>2,600,803</u>	\$ <u>-</u>	\$ <u>2,600,803</u>
Total capital assets being depreciated, net	\$ <u>-</u>	\$ <u>3,688,101</u>	\$ <u>-</u>	\$ <u>3,688,101</u>
Net capital assets	<u>\$ -</u>	<u>\$ 4,813,728</u>	<u>\$ -</u>	<u>\$ 4,813,728</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 1,381,115	\$ -	\$ -	\$ 1,381,115
Total capital assets, not being depreciated	<u>\$ 1,381,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,381,115</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 60,586,630	\$ 3,299,142	\$ -	\$ 63,885,772
Machinery and equipment	<u>1,376,298</u>	<u>14,573</u>	<u>-</u>	<u>1,390,871</u>
Total capital assets being depreciated	<u>\$ 61,962,928</u>	<u>\$ 3,313,715</u>	<u>\$ -</u>	<u>\$ 65,276,643</u>
Accumulated depreciation:				
Buildings and improvements	\$ 48,354,422	\$ 6,161,052	\$ -	\$ 54,515,474
Machinery and equipment	<u>1,265,604</u>	<u>79,410</u>	<u>-</u>	<u>1,345,014</u>
Total accumulated depreciation	<u>\$ 49,620,026</u>	<u>\$ 6,240,462</u>	<u>\$ -</u>	<u>\$ 55,860,488</u>
Total capital assets being depreciated, net	<u>\$ 12,342,902</u>	<u>\$ (2,926,747)</u>	<u>\$ -</u>	<u>\$ 9,416,155</u>
School Board capital assets, net	<u><u>\$ 13,724,017</u></u>	<u><u>\$ (2,926,747)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,797,270</u></u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation/amortization expense was charged to functions / programs as follows:

Primary government:	
Governmental activities:	
General government administration	\$ 892,747
Public safety	1,609,711
Public works	4,489,158
Education	2,272,023
Parks, recreation and cultural	<u>798,587</u>
Total governmental activities	<u>\$ 10,062,226</u>
Business-type activities:	
Wastewater	\$ 2,476,489
Stormwater Utility	1,550,098
Transportation	<u>280,625</u>
Total business-type activities	<u>\$ 4,307,212</u>
Component Unit-School Board:	\$ <u>4,275,061</u> (1)
Education	
(1) Depreciation expense	\$ 4,275,061
Accumulated depreciation on Joint tenancy transfer	<u>1,965,401</u>
Total increase in accumulated depreciation, page 76	<u>\$ 6,240,462</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2023:

	Balance at June 30, 2022	GASB 96 Implementation	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2023	Amounts Due Within One Year
Governmental Activities:						
Public offerings:						
General obligation bonds	\$ 5,585,000	\$ -	\$ -	\$ 2,750,000	\$ 2,835,000	\$ 1,380,000
Direct borrowings and placements:						
General obligation bonds	56,121,000	-	-	1,956,000	54,165,000	1,863,000
Lease revenue bonds	34,255,000	-	-	2,372,000	31,883,000	3,013,000
Public Improvement COPS	10,055,000	-	-	742,000	9,313,000	560,000
Notes payable	10,260,000	-	-	585,000	9,675,000	595,000
Equipment financing agreements	2,131,285	-	-	592,230	1,539,055	410,679
Lease liabilities	173,065	-	-	41,407	131,658	38,993
Subscription liabilities	-	801,236	80,028	333,167	548,097	309,194
Compensated absences	3,133,890	-	632,776	470,054	3,296,612	494,492
Net pension liability	64,918,120	-	41,395,592	23,062,299	83,251,413	-
Net OPEB liability	12,445,686	-	1,342,545	1,132,165	12,656,066	-
Premiums on bonds payable	1,851,859	-	-	232,844	1,619,015	232,844
Total governmental activities	<u>\$ 200,929,905</u>	<u>\$ 801,236</u>	<u>\$ 43,450,941</u>	<u>\$ 34,269,166</u>	<u>\$ 210,912,916</u>	<u>\$ 8,897,202</u>
Business-type Activities:						
Wastewater Fund:						
Direct borrowings and placements:						
Lease revenue bonds	\$ 18,605,000	\$ -	\$ 13,610,000	\$ 630,000	\$ 31,585,000	\$ 665,000
Premium on bonds payable	1,838,735	-	832,287	128,786	2,542,236	128,786
Net pension liability	939,576	-	524,016	290,074	1,173,518	-
Net OPEB liability	267,649	-	29,506	19,000	278,155	-
Compensated absences	63,523	-	3,025	33,245	33,303	2,914
Total	<u>\$ 21,714,483</u>	<u>\$ -</u>	<u>\$ 14,998,834</u>	<u>\$ 1,101,105</u>	<u>\$ 35,612,212</u>	<u>\$ 796,700</u>
Transportation Fund:						
Net pension liability	\$ 2,348,945	\$ -	\$ 1,310,035	\$ 725,182	\$ 2,933,798	\$ -
Net OPEB liability	669,123	-	73,766	47,501	695,388	-
Compensated absences	167,003	-	16,569	38,703	144,869	14,625
Total	<u>\$ 3,185,071</u>	<u>\$ -</u>	<u>\$ 1,400,370</u>	<u>\$ 811,386</u>	<u>\$ 3,774,055</u>	<u>\$ 14,625</u>
Stormwater Utility Fund:						
Net pension liability	\$ -	\$ -	\$ 1,463,592	\$ 290,074	\$ 1,173,518	\$ -
Net OPEB liability	-	-	297,155	19,000	278,155	-
Compensated absences	-	-	55,777	-	55,777	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,816,524</u>	<u>\$ 309,074</u>	<u>\$ 1,507,450</u>	<u>\$ -</u>
Total Business-type Activities	<u>\$ 24,899,554</u>	<u>\$ -</u>	<u>\$ 18,215,728</u>	<u>\$ 2,221,565</u>	<u>\$ 40,893,717</u>	<u>\$ 811,325</u>
Discretely Presented Component Units:						
School Board:						
Net pension liability	\$ 89,275	\$ -	\$ 79,658	\$ 65,158	\$ 103,775	\$ -
Net OPEB liability	19,593	-	5,451	6,511	18,533	-
Compensated absences	70,407	-	3,520	46,953	26,974	1,349
Total School Board	<u>\$ 179,275</u>	<u>\$ -</u>	<u>\$ 88,629</u>	<u>\$ 118,622</u>	<u>\$ 149,282</u>	<u>\$ 1,349</u>

General Fund revenues are used to pay all long-term general obligation debt, leases, subscriptions, net pension liabilities, net OPEB liabilities, and compensated absences. School Fund revenues and appropriations from the General Fund are used to pay its compensated absences.

For information related to the legal debt limit and the amount of debt the City can still issue without violating the limit see statistical table 12.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Governmental Activities									
	Public Offerings		Direct Borrowings and Placements							
	General Obligation Bonds		General Obligation Bonds		Public Facility Lease Revenue Bonds		COPS		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,380,000	\$ 107,250	\$ 1,863,000	\$ 901,520	\$ 3,013,000	\$ 869,013	\$ 560,000	\$ 242,138	\$ 595,000	\$ 166,555
2025	1,455,000	36,375	1,891,000	879,261	3,088,000	796,737	574,000	227,578	615,000	152,685
2026	-	-	3,450,000	865,051	3,242,000	719,686	589,000	212,654	7,075,000	89,985
2027	-	-	3,492,000	813,577	3,325,000	637,185	605,000	197,340	335,000	30,196
2028	-	-	3,737,000	761,432	2,290,000	556,107	620,000	181,610	345,000	21,798
2029	-	-	3,775,000	717,526	2,355,000	488,713	637,000	165,490	350,000	13,215
2030	-	-	3,822,000	673,163	2,420,000	417,711	802,000	148,928	360,000	4,444
2031	-	-	4,685,000	628,239	2,495,000	342,953	659,000	128,076	-	-
2032	-	-	4,781,000	536,648	2,575,000	265,101	671,000	110,942	-	-
2033	-	-	4,878,000	443,179	2,660,000	183,848	683,000	93,496	-	-
2034	-	-	4,962,000	347,814	2,745,000	98,175	700,000	75,738	-	-
2035	-	-	5,070,000	250,807	350,000	48,062	719,000	57,538	-	-
2036	-	-	5,164,000	151,688	250,000	37,300	737,000	38,844	-	-
2037	-	-	2,595,000	50,732	255,000	29,009	757,000	19,682	-	-
2038	-	-	-	-	265,000	21,284	-	-	-	-
2039	-	-	-	-	275,000	13,047	-	-	-	-
2040	-	-	-	-	280,000	4,375	-	-	-	-
Total	\$ 2,835,000	\$ 143,625	\$ 54,165,000	\$ 8,020,637	\$ 31,883,000	\$ 5,528,306	\$ 9,313,000	\$ 1,900,054	\$ 9,675,000	\$ 478,878

Year Ending June 30,	Equipment Financing Agreements		Subscription Liabilities		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 410,679	\$ 36,496	\$ 309,194	\$ 11,227	\$ 38,993	\$ 1,250
2025	258,470	26,762	190,660	4,669	39,423	819
2026	268,960	19,700	30,811	1,044	39,858	384
2027	280,760	12,354	17,432	381	13,384	31
2028	155,870	6,755	-	-	-	-
2029	164,316	2,964	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
Total	\$ 1,539,055	\$ 105,030	\$ 548,097	\$ 17,321	\$ 131,658	\$ 2,484

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations—Primary Government:

Governmental Activities:

General Obligation Bonds:

\$32,480,000 refunding bonds issued March 25, 2010 due in annual maturities of \$110,000 to \$3,520,000 beginning July 15, 2010 through July 15, 2026, plus interest at 1.75% to 5.0%.	\$ 2,835,000
\$18,106,000 refunding bonds issued March 2021, due in periodic maturities of \$191,000 to \$3,656,000 beginning January 15, 2022 through January 15, 2030, interest due semiannually at 1.14%	14,871,000
\$3,235,000 refunding bonds issued August 2016, due in periodic maturities of \$41,000 to \$1,505,000 beginning July 15, 2017 through July 15, 2024, interest due semiannually at 1.1%.	2,989,000
\$3,202,000 refunding bonds issued April 2020 due in periodic maturities of \$54,000 to \$1,506,000 beginning January 15, 2021 through January 15, 2037, interest due semiannually at 1.874%.	3,071,000
\$33,499,000 refunding bonds issued March 2022 due in periodic maturities of \$148,000 to \$5,164,000 beginning January 15, 2023 through January 15, 2027, interest due semiannually at 1.955%.	<u>33,234,000</u>
Total General Obligation Bonds	<u>\$ 57,000,000</u>

Lease Revenue Bonds:

\$9,552,000 lease revenue bonds dated April 2017, due in semi-annual maturities of \$96,000 to \$577,000 beginning July 15, 2017 through January 15, 2027, interest at 2.14%.	\$ 4,333,000
\$33,105,000 lease revenue bonds dated June 2012, due in annual maturities of \$910,000 to \$2,390,000 beginning October 1, 2012 through October 1, 2033, interest at 2.125% to 5.125%.	-
\$1,025,000 lease revenue bonds dated October 2019, due in annual maturities of \$65,000 to \$110,000 beginning October 1, 2023 through October 1, 2034, interest at 3.568% to 5.125%.	1,025,000
\$3,595,000 lease revenue bonds dated October 2019, due in annual maturities of \$140,000 to \$280,000 beginning October 1, 2023 through October 1, 2039, interest at 2.974% to 5.125%.	3,595,000
\$22,930,000 lease revenue bonds dated October 2019, due in annual maturities of \$1,795,000 to \$2,410,000 beginning October 1, 2023 through October 1, 2033, interest at 2.135% to 3.047%.	<u>22,930,000</u>
Total Lease Revenue Bonds	<u>\$ 31,883,000</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations—Primary Government: (Continued)

Governmental Activities: (Continued)

Lease Liabilities:

\$195,882 lease agreement for the use of multifunctional device, due in monthly payments of \$3,354 through October 2026, interest payable at 1.0980% \$ 131,658

Subscription Liabilities:

Various subscriptions payable through 2027 at discount rates ranging from 1.58% to 3.12%. \$ 548,097

Notes Payable:

\$1,150,000 revenue note dated June 30, 2020, due in one principal installment on June 30, 2026, interest payable at 1.53% \$ 6,750,000

\$7,250,000 financing lease agreement dated April 2014, due in annual maturities of \$325,000 to \$615,000 through August 1, 2029, interest payable semi-annually at 2.10% to 2.47% 2,925,000

Total Notes Payable \$ 9,675,000

Public Improvement Certificates of Participation:

\$11,361,000 Public Improvement certificate of participation, due in semi-annual maturities of \$176,000 to \$757,000 through January 1, 2037, interest payable semi-annually at 2.60%. \$ 9,313,000

Equipment Financing Agreements:

\$1,235,430 obligation for tower fire truck due in annual maturities of \$166,351 through 2024, including interest at 1.81%. \$ 163,395

\$961,000 obligation for financing turf and equipment, due in various annual maturities through July 2026, including interest at 3.010% 510,000

\$1,708,450 obligation for financing energy efficient improvements, due in various semi-annual maturities through January 2029, including interest at 2.40% 865,660

Total Equipment Financing Agreements \$ 1,539,055

Compensated absences \$ 3,296,612

Net OPEB liability \$ 12,656,066

Net pension liability \$ 83,251,413

Premium on bonds payable \$ 1,619,015

Total governmental activities \$ 210,912,916

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations—Primary Government: (Continued)

Business-Type Activities:

Annual requirements to amortize enterprise funds long-term obligations and related interest (excluding premiums) are as follows:

Year Ending June 30,	Business-type Activities	
	Direct Borrowings and Placements	
	Lease Revenue Bonds	
	Principal	Interest
2024	\$ 665,000	\$ 1,397,666
2025	990,000	1,355,257
2026	1,045,000	1,303,110
2027	1,105,000	1,248,016
2028	1,160,000	1,189,975
2029	1,215,000	1,129,116
2030	1,285,000	1,065,053
2031	1,350,000	997,531
2032	1,415,000	926,679
2033	1,485,000	855,516
2034	1,550,000	793,109
2035	1,605,000	736,553
2036	1,660,000	676,863
2037	1,725,000	614,288
2038	1,785,000	548,710
2039	1,850,000	480,112
2040	1,920,000	408,756
2041	1,995,000	334,983
2042	705,000	280,772
2043	740,000	245,244
2044	780,000	206,181
2045	820,000	164,381
2046	865,000	120,347
2047	910,000	73,956
2048	960,000	25,085
Total	\$ <u>31,585,000</u>	\$ <u>17,177,259</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations—Primary Government: (Continued)

Business-Type Activities:

Lease Revenue Bonds:

\$13,610,000 VRA revenue bonds issued November 16, 2022, due in annual maturities ranging from \$295,000 to \$960,000 through October 2047, plus interest ranging from 1.245% to 6.142% \$ 13,610,000

\$19,205,000 VRA revenue refunding bonds issued May 2019, due in annual maturities ranging from \$600,000 to \$1,325,000 through October 2040, plus interest ranging from 4.777% to 5.228% 17,975,000

Total Lease Revenue Bonds \$ 31,585,000

Compensated absences \$ 233,949

Net OPEB liability \$ 1,251,698

Net pension liability \$ 5,280,834

Premium on bonds payable \$ 2,542,236

Total business-type activities \$ 40,893,717

NOTE 8—PENSION PLANS:

Plan Description

All full-time, salaried permanent employees of the City and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

NOTE 8—PENSION PLANS: (CONTINUED)

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	379
Inactive members:	
Vested inactive members	76
Non-vested inactive members	77
Long-term disability (LTD)	-
Inactive members active elsewhere in VRS	70
Total inactive members	<u>223</u>
Active members	<u>368</u>
Total covered employees	<u><u>970</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement

The City's contractually required employer contribution rate for the year ended June 30, 2023 was 14.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$4,709,836 and \$4,164,956 for the years ended June 30, 2023 and June 30, 2022, respectively.

NOTE 8—PENSION PLANS: (CONTINUED)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The City's net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service-related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)

Mortality rates: (Continued)

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTE 8—PENSION PLANS: (CONTINUED)***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2022, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2021	\$ 188,639,453	\$ 156,569,310	\$ 32,070,143
Changes for the year:			
Service cost	\$ 2,418,498	\$ -	\$ 2,418,498
Interest	12,548,839	-	12,548,839
Differences between expected and actual experience	(1,240,368)	-	(1,240,368)
Changes of assumptions	-	-	-
Contributions - employer	-	4,160,099	(4,160,099)
Contributions - employee	-	1,511,376	(1,511,376)
Net investment income	-	(120,600)	120,600
Benefit payments, including refunds	(10,298,461)	(10,298,461)	-
Administrative expenses	-	(98,211)	98,211
Other changes	-	3,029	(3,029)
Net changes	\$ 3,428,508	\$ (4,842,768)	\$ 8,271,276
Balances at June 30, 2022	\$ 192,067,961	\$ 151,726,542	\$ 40,341,419

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
City Net Pension Liability	\$ 65,836,799	\$ 40,341,419	\$ 19,632,050

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the City and recognized pension expense of \$3,723,618. At June 30, 2023, the City and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,632	\$ 873,288
Change in assumptions	1,696,058	-
Net difference between projected and actual earnings on pension plan investments	-	4,602,532
Changes in proportion and differences between employer contributions and proportionate share of contributions	481,052	481,052
Employer contributions subsequent to the measurement date	4,709,836	-
Total	<u>\$ 6,917,578</u>	<u>\$ 5,956,872</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$4,709,836 reported as deferred outflows of resources related to pensions resulting from the City’s and contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2024	\$ (539,318)
2025	(2,239,566)
2026	(3,076,177)
2027	2,105,931
2028	-
Thereafter	-

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required employer contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$16,386 and \$16,224 for the years ended June 30, 2023 and June 30, 2022, respectively.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Contributions: (Continued)

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the school division reported a liability of \$103,775 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion was .00109% as compared to .00115% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized pension expense of \$2,874. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,156
Change in assumptions	9,784	-
Net difference between projected and actual earnings on pension plan investments	-	13,530
Changes in proportion and differences between employer contributions and proportionate share of contributions	27	7,624
Employer contributions subsequent to the measurement date	<u>16,386</u>	<u>-</u>
Total	<u>\$ 26,197</u>	<u>\$ 28,310</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$16,386 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (6,078)
2025	(6,771)
2026	(10,462)
2027	4,812

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions: (Continued)

Mortality rates: (Continued)

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discounty Rate	No change

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	54,732,329
Plan Fiduciary Net Position		45,211,731
Employers' Net Pension Liability (Asset)	\$	<u>9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		
		82.61%

The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

Sensitivity of the School Division’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 185,349	\$ 103,775	\$ 37,355

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

City Supplemental Pension Plans

The City’s Supplemental Retirement Plans cover all full-time employees and permanent part-time employees hired between March 1, 2004 and June 30, 2014 of the City except police officers and firefighters who are covered under a separate plan for police and firefighters. Permanent part-time employees hired after June 30, 2014 are not eligible to participate in the City’s Supplemental Retirement Plan. Both plans are single-employer, defined benefit pension plans, authorized by the City Council, and administered by the City Retirement Committee composed of nine individuals appointed by the Mayor and Council.

Upon retirement, a participant in the two City plans would receive a monthly retirement allowance which is determined based on a certain percentage of the participant’s average final compensation at the date of retirement and the number of years of the participant’s credited service. In the event of death prior to retirement, the beneficiary receives the same monthly benefit that would have been payable to the participant, assuming the joint and 100% survivor option was elected.

Membership

According to the last available actuary statement, the membership in the City Supplemental Retirement (General) Plan and the Firefighters, Policemen, and Policewomen (Public Safety) Plan at June 30, 2023 is as follows:

	City General Plan	City Public Safety Plan
Inactive plan members or beneficiaries receiving benefits	\$ 241	\$ 124
Inactive plan members entitled to but not yet receiving benefits	43	16
Active members	<u>255</u>	<u>136</u>
Total	<u>\$ 539</u>	<u>\$ 276</u>

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans: (Continued)

Significant Accounting Policies

Basis of Accounting - The City's Supplemental Retirement Plans' financial statements are prepared using the accrual basis of accounting.

Reporting - The Plans are accounted for as a pension trust fund of the City. A separate actuarial report for each plan is generated by the Actuary each year. There were no separate financial statements for the plans.

Investment Policy - The Plans' policy in regard to the allocation of invested assets is established and may be amended by the Plan Board by a majority vote of its members. It is the policy of the Plans' Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Investment Valuation and Income Recognition - Shares of registered investment companies (mutual funds), corporate bonds, and stocks are reported at fair value based on the quoted market price of the investment, which represents the fair value of the shares held by the Plan.

Payment of Benefits - Benefits are recorded when paid.

Refunds - In the event that a participant terminates employment with the City before reaching normal retirement age, other than by death or disability, and has less than five years (or seven years if hired after July 1, 2014) of credited service, the participant's accumulated contributions including credited interest will be refunded. Participants with at least five years (or seven years if hired after July 1, 2014) of credited service will be eligible for a deferred retirement benefit if accumulated contributions remain in deposit in the plan.

Administrative Costs - Administrative costs are financed from investment earnings.

Contributions

The contribution requirements of Plan members and the City are established and may be amended by City Council.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Long-term Expected Real Rate of Return
US Large Cap Equity	20.50%	5.49%
US Small/Mid Cap Equity	6.50%	6.55%
Non-US Developed Equity	1.00%	5.69%
Non-US Developed Equity (USD Hedged)	7.00%	5.59%
Non-US Developed Small-Cap Equities	3.00%	7.25%
Emerging Market Equity	5.50%	10.15%
Emergency Market Small-Cap Equity	1.50%	10.87%
Global Equity	10.00%	6.25%
US TIPS	2.00%	1.92%
US Treasury Bond	8.00%	1.66%
US Corporate Bond	1.50%	3.51%
US Aggregate Bond	13.00%	2.25%
US High Yield Corporate Bond	0.75%	5.14%
US Leveraged Loan	0.75%	4.59%
Global Multi-Sector Fixed Income	3.00%	3.88%
US Short-Term Corporate Bond (1-3 Year)	1.00%	3.18%
Private Real Assets - Natural Resources	1.70%	9.91%
Private Real Assets - Infrastructure	1.70%	4.98%
Private Equity	3.30%	10.06%
Private Debt	3.30%	7.02%
PIMCO All Assets	5.00%	3.74%
Total	100.00%	

For the year ended June 30, 2023, the annual money-weighted rate of return, which expresses investments performance, net of investment expense, adjusted for the changing amounts actually invested on pension plan investments, net of pension plan investment expense, was 9.01%.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities: The components of the pension liabilities at June 30, 2023, were as follows:

	<u>General</u>	<u>Public Safety</u>	<u>Total</u>
Total pension liability	\$ 81,627,575	\$ 102,550,661	\$ 184,178,236
Plan fiduciary net position	(63,293,057)	(72,694,351)	(135,987,408)
Net Pension Liability (Asset)	<u>\$ 18,334,518</u>	<u>\$ 29,856,310</u>	<u>\$ 48,190,828</u>
Plan fiduciary net position as a percentage of the total pension liability	77.54%	70.89%	73.83%

Pension Expense: For the year ended June 30, 2023, the City recognized pension expense of \$4,761,899 (General) and \$6,786,275 (Public Safety).

Deferred outflows of resources and deferred inflows of resources related to pensions: Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	<u>City General Plan</u>		<u>City Public Safety Plan</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,566,688	\$ 48,346	\$ 6,947,345	\$ 943,091	\$ 9,514,033	\$ 991,437
Change in assumptions	2,172,952	-	4,152,815	-	6,325,767	-
Net difference between projected and actual earnings on pension plan investments	<u>4,537,693</u>	<u>-</u>	<u>5,191,335</u>	<u>-</u>	<u>9,729,028</u>	<u>-</u>
Total	<u>\$ 9,277,333</u>	<u>\$ 48,346</u>	<u>\$ 16,291,495</u>	<u>\$ 943,091</u>	<u>\$ 25,568,828</u>	<u>\$ 991,437</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>City General Plan</u>	<u>City Public Safety Plan</u>
2024	\$ 2,550,186	\$ 3,644,393
2025	2,023,415	2,872,812
2026	4,099,159	5,347,532
2027	556,227	2,097,482
2028	-	1,386,185
Thereafter	-	-

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

	City General Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 75,364,247	\$ 60,455,509	\$ 14,908,738
Changes for the year:			
Service cost	\$ 1,757,484	\$ -	\$ 1,757,484
Interest	4,617,381	-	4,617,381
Differences between expected and actual experience	1,880,587	-	1,880,587
Assumption changes	2,737,663	-	2,737,663
Contributions - employer	-	2,009,467	(2,009,467)
Contributions - employee	-	609,930	(609,930)
Net investment income	-	4,969,377	(4,969,377)
Benefit payments, including refunds	(4,729,787)	(4,729,787)	-
Other changes	-	(21,439)	21,439
Net changes	\$ 6,263,328	\$ 2,837,548	\$ 3,425,780
Balances at June 30, 2023	\$ 81,627,575	\$ 63,293,057	\$ 18,334,518
	City Public Safety Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	\$ 89,981,392	\$ 68,753,632	\$ 21,227,760
Changes for the year:			
Service cost	\$ 2,058,389	\$ -	\$ 2,058,389
Interest	5,523,859	-	5,523,859
Differences between expected and actual experience	5,355,968	-	5,355,968
Assumption changes	4,888,737	-	4,888,737
Contributions - employer	-	2,672,303	(2,672,303)
Contributions - employee	-	946,509	(946,509)
Net investment income	-	5,603,766	(5,603,766)
Benefit payments, including refunds	(5,257,684)	(5,257,684)	-
Other changes	-	(24,175)	24,175
Net changes	\$ 12,569,269	\$ 3,940,719	\$ 8,628,550
Balances at June 30, 2023	\$ 102,550,661	\$ 72,694,351	\$ 29,856,310

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the entry age actuarial cost method, a level percent of payroll and the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	2.50%
Salary increases, including inflation	3.75% to 7.75% including inflation
Investment rate of return	6.00%
Remaining amortization period	10 years, closed

The mortality table used to measure non-disabled retired life mortality is the RP-2014 Combined Healthy Mortality Table for males and females. The base table is the RP-2014 Combined Healthy Mortality Table including the use of the MP-2017 mortality improvement scale. The mortality tables used to measure disabled retired life mortality were the same as described above, set-forward 10-years.

Discount Rate

A Single Discount Rate of 6.00% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in Discount Rate

The following presents the net pension liability of the City Plans, calculated using the discount rate of 6.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current rate:

	1.00% Lower (5.00%)	Current Discount Rate (6.00%)	1.00% Higher (7.00%)
General Plan Net Pension Liability (Asset) \$	28,751,890 \$	18,334,518 \$	9,690,811
Public Safety Plan Net Pension Liability	44,856,189	29,856,310	17,683,855

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

The following is a summary of financial information for the City’s local retirement plans:

	Pension Trust Funds		
	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Assets			
Mutual and money market funds	\$ 63,267,151	\$ 72,664,596	\$ 135,931,747
Stocks	21,199	24,348	45,547
Accrued interest	4,707	5,407	10,114
Total assets	<u>\$ 63,293,057</u>	<u>\$ 72,694,351</u>	<u>\$ 135,987,408</u>
Net Position			
Held in trust for pension benefits	<u>\$ 63,293,057</u>	<u>\$ 72,694,351</u>	<u>\$ 135,987,408</u>
Additions			
Plan members contributions	<u>\$ 2,597,958</u>	<u>\$ 3,594,637</u>	<u>\$ 6,192,595</u>
Investment income:			
Interest and dividends earned on investments	\$ 786,668	\$ 887,094	\$ 1,673,762
Net appreciation in fair value of investments	4,466,683	5,036,898	9,503,581
Total investment income	<u>\$ 5,253,351</u>	<u>\$ 5,923,992</u>	<u>\$ 11,177,343</u>
Less: Investment expenses	283,974	320,226	604,200
Net investment income	<u>\$ 4,969,377</u>	<u>\$ 5,603,766</u>	<u>\$ 10,573,143</u>
Total additions	<u>\$ 7,567,335</u>	<u>\$ 9,198,403</u>	<u>\$ 16,765,738</u>
Deductions			
Retirement and disability benefits	<u>\$ 4,729,787</u>	<u>\$ 5,257,684</u>	<u>\$ 9,987,471</u>
Total deductions	<u>\$ 4,729,787</u>	<u>\$ 5,257,684</u>	<u>\$ 9,987,471</u>
Change in net position	\$ 2,837,548	\$ 3,940,719	\$ 6,778,267
Net position - beginning	60,455,509	68,753,632	129,209,141
Net position - ending	<u>\$ 63,293,057</u>	<u>\$ 72,694,351</u>	<u>\$ 135,987,408</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

Concentrations

At June 30, 2023, the Plans' assets were comprised of cash and cash equivalents, stocks, and mutual funds. The following table presents the fair value of the investments in the Plans. Single investments representing more than 5% of the Plans' net position as of June 30, 2023 are separately identified. Investments at fair value, as determined by quoted market prices, and accrued interest are as follows:

Investments at Fair Value as Determined by Quoted Market Prices	
Mutual Funds:	
SSGA Funds S&P 500	\$ 17,997,789
SSGA Funds S&P 1000	13,478,667
PIMCO All Asset Fund	6,840,114
Wellington Core Bond Plus	19,425,349
SSGA US Treasury Index	8,981,340
Baxter Street Offshore Fund	10,490,361
NEPC Global Equity	13,387,162
NEPC Emerging Markets Equity	9,026,709
NEPC US Small Cap Equity	10,394,804
NEPC Diversified Credit	14,011,264
Other Investments Individually Less than 5% of Plan Assets	<u>11,943,735</u>
Total	<u>\$ 135,977,294</u>

Summary of Net Pension Liabilities and Related Items:

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
Primary Government	\$ 6,917,578	\$ 5,956,872	\$ 40,341,419	\$ 3,723,618
City General Plan	9,277,333	48,346	18,334,518	4,761,899
City Public Safety Plan	16,291,495	943,091	29,856,310	6,786,275
Totals	<u>\$ 32,486,406</u>	<u>\$ 6,948,309</u>	<u>\$ 88,532,247</u>	<u>\$ 15,271,792</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Professional	\$ 26,197	\$ 28,310	\$ 103,775	\$ 2,874
Totals	<u>\$ 26,197</u>	<u>\$ 28,310</u>	<u>\$ 103,775</u>	<u>\$ 2,874</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 9—FAIRFAX COUNTY AGREEMENTS:

The City and School Board are parties to certain contracts under which services are provided to its citizens by Fairfax County (the “County”), an unrelated local governmental entity. The costs of these services are summarized below.

<u>Description</u>	
Joint court service	\$ 309,132
Juvenile & domestic court	599,117
Commonwealth Attorney	241,104
Jail and custody services	946,527
Fire and rescue	172,481
Housing and community development	287,577
Health	2,111,580
Social services	847,465
Library services	974,878
Education	55,267,673
Refuse collection	480,771
Extension services	91,278
Sewage treatment	<u>1,718,601</u>
Total	<u>\$ 64,048,184</u>

The City constructs and owns its school facilities. In accordance with the education contract, the County manages, maintains and provides instruction in these facilities to City residents for a fee. Under the contract the City reimburses the County for the portion of the County’s school expenditures related to City students.

The City pays tuition to Fairfax County Public Schools (FCPS) quarterly, based on estimates provided by FCPS. After the end of each fiscal year, FCPS provides a reconciliation of actual expenditures to estimates, and either increases or decreases the amount due from the City for the first quarter’s tuition for the following fiscal year as a result. As of June 30, 2023, the City had recorded a payable of \$1,663,077 for overpayment of tuition during fiscal year 2023. This amount will be added by FCPS from the first quarter’s invoice for fiscal year 2024.

NOTE 10—TRANSPORTATION CONTRACTS:

The City provides bus transportation services to its citizens in two ways:

CUE Bus - CUE Bus is an intra-city bus service operation in cooperation with George Mason University. Funding received from George Mason University was \$750,000 for the fiscal year ended June 30, 2023.

Washington Metropolitan Area Transit Authority - The City contracts on an annual basis for rail service from the Washington Metropolitan Area Transit Authority (“WMATA”). The City’s share of WMATA’s capital and operating for bus and rail service for the year ended June 30, 2023 was \$3,221,250. This amount was paid from the City’s account at the Northern Virginia Transportation Commission (“NVTTC”).

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 10—TRANSPORTATION CONTRACTS: (CONTINUED)

Northern Virginia Transportation Commission (“NVTC”) - NVTC receives funds designated for the City and it also disburses the designated funds for the City. As of June 30, 2023, the balance designated for the City is \$6,421,384. The NVTC received \$5,689,876 and disbursed \$7,001,558 on behalf of the City for the fiscal year ended June 30, 2023.

NOTE 11—MAJOR CUSTOMER:

The City has one major sewer customer and for the year ended June 30, 2023, sewer revenue from this customer was approximately \$240,835.

NOTE 12—SURETY BOND:

	<u>Coverage</u>
City Funds:	
VML Insurance Programs:	
Tom Scibilia, City Treasurer	\$ 250,000
City Council and all employees	250,000
City of Fairfax School Board	250,000
State Funds:	
Tom Scibilia, City Treasurer	500,000
William Page Johnson, II, Commissioner of Revenue	450,000
Commonwealth of Virginia Performance of Duty Bond Self Insurance Plan:	
All Employees of constitutional officers-blanket bond-each loss	250,000

NOTE: The coverage with respect to the City Treasurer does not apply to pecuniary loss sustained by the City by reason or in consequence of the failure of the Treasurer to faithfully and fully discharge according to laws the duties pertaining to said position.

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN:

Plan Description

In addition to the pension benefits described in Note 8, through a single employer defined benefit plan, the City provides postemployment health care insurance benefits for employees who are eligible for retirement benefits. General Government employees are eligible for normal retirement if they have attained the age of 60 with 5 years of service. Public Safety employees are eligible for normal retirement if they have attained the age of 50 with 5 years of service or have 20 years of service. General Government employees are eligible for early retirement if they have attained the age of 50 years with 5 years of service or have 25 years of service. Disabled individuals must have completed 5 years of service to be eligible to participate in the plan. No assets are accumulated in a trust that meets the criteria in GAAP.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN: (CONTINUED)

Benefits Provided

Retirees and their spouses are eligible to continue coverage under the City’s medical, prescription drug, dental and vision plans at the City’s group rate. Premiums paid by the retiree or spouse range from 10% to 100% depending on whether coverage is for individual, dual or family and the employee’s termination is related to in-service death or disability, or early or normal retirement. Effective for normal and early retirements after July 1, 2004 and prior to October 1, 2016, retirees with a minimum of 5 years of credited service will receive a monthly stipend ranging from \$50 - \$175 to offset a portion of their medical coverage cost. Effective for normal and early retirements on or after October 1, 2016 and before July 1, 2022, retirees with a minimum of 15 years of credited service will receive a monthly stipend ranging from \$100 - \$175 to offset a portion of their medical coverage. Effective for normal and early retirement on or after July 1, 2022, retirees with a minimum of 15 years of credited service will receive a monthly stipend ranging from \$50 - \$275 to offset a portion of their medical coverage. The stipend is payable for the life of the retiree, subject to annual approval by the City Council.

At June 30, 2022, the following employees were covered by the benefit terms:

Retirees and beneficiaries	126
Active members	381
	<hr/>
Total	507
	<hr/> <hr/>

The City’s total OPEB liability of \$13,907,764 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2022.

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Price Inflation	2.50%
Salary Increases	3.75% to 7.75%
Discount Rate	3.86%
Healthcare cost trend rates	Initial trend of 7.50% gradually decreasing to an ultimate trend rate of 3.5% in year 12 for pre-65. Initial trend of 6.25% gradually decreasing to an ultimate trend rate of 3.5% in year 12 for post-65.

The discount rate was based on the daily rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index.

Mortality rates were based on the RP-2014 Employee, Healthy Annuitant and Disabled Mortality Tables, adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2022.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN: (CONTINUED)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2022	\$ 13,382,458
Changes for the year:	
Service cost	429,689
Interest	484,213
Change in benefit terms	-
Difference between expected and actual experience	134,633
Changes of assumptions	426,788
Benefit payments	(950,017)
Net changes	\$ 525,306
Balances at June 30, 2023	\$ 13,907,764

Changes of assumptions and other inputs reflect a change in the discount rate from 3.69% in 2022 to 3.86% in 2023.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

Rate		
1% Decrease (2.86%)	Current Discount Rate (3.86%)	1% Increase (4.86)
\$ 15,535,815	\$ 13,907,764	\$ 12,537,772

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

Rates		
Healthcare Cost		
1% Decrease	Trend	1% Increase
\$ 12,201,482	\$ 13,907,764	\$ 15,995,737

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN: (CONTINUED)

Changes in the Total OPEB Liability: (Continued)

For the year ended June 30, 2023, the City recognized OPEB expense of \$853,481. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 334,834	\$ 1,732,347
Changes in assumptions	3,090,954	3,090,995
Total	<u>\$ 3,425,788</u>	<u>\$ 4,823,342</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	
2024	\$ (60,421)
2025	(59,848)
2026	(41,049)
2027	(367,152)
2028	(551,136)
Thereafter	(317,948)

The City provides death and disability benefits to its public safety employees and surviving spouses as required by the Virginia Line of Duty Act (LODA). The obligation for LODA benefit payments has been transferred by the City to an insurance company. In the event of the insurance company's insolvency, the City retains an obligation for the benefits.

NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Plan Description: (Continued)

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the School Board were \$532 and \$527 for the years ended June 30, 2023 and June 30, 2022, respectively.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Contributions: (Continued)

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2023, the School Board reported a liability of \$5,418 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer’s proportion was .00050% as compared to .00050% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$56. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>School Professional</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 429	\$ 217
Net difference between projected and actual earnings on GLI OPEB program investments	-	339
Change in assumptions	202	528
Changes in proportionate share	-	454
Employer contributions subsequent to the measurement date	<u>532</u>	<u>-</u>
Total	<u>\$ 1,163</u>	<u>\$ 1,538</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB: (Continued)

\$532 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (212)
2025	(209)
2026	(378)
2027	(18)
2028	(90)
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the Plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	2,467,989
GLI Net OPEB Liability (Asset)	<u>\$ 1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability: (Continued)

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System’s investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTE 14—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School Board proportionate share of the GLI Plan			
Net OPEB Liability	\$ 7,884	\$ 5,418	\$ 3,426

GLI Program Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan.

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Contributions: (Continued)

This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$1,181 and \$1,193 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher HIC Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2023, the school division reported a liability of \$13,115 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion of the VRS Teacher Employee HIC Plan was .00105% as compared to .00110% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$814. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contribution.

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 535
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	13
Change in assumptions	383	33
Change in proportionate share and differences between actual and expected contributions	3	1,112
Employer contributions subsequent to the measurement date	1,193	-
Total	<u>\$ 1,579</u>	<u>\$ 1,693</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

\$1,193 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (274)
2025	(268)
2026	(265)
2027	(182)
2028	(163)
Thereafter	(155)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,470,891
Plan Fiduciary Net Position		221,845
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,249,046</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		15.08%

The total Teacher Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Sensitivity of the School Division’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 14,781	\$ 13,115	\$ 11,703

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan’s Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Summary of Net OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense:

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
City Stand-Alone Plan (Note 13)	\$ 3,425,788	\$ 4,823,342	\$ 13,907,764	\$ 853,481
Totals	<u>\$ 3,425,788</u>	<u>\$ 4,823,342</u>	<u>\$ 13,907,764</u>	<u>\$ 853,481</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS OPEB Plans:				
School Board Professional GLI (Note 14)	\$ 1,163	\$ 1,538	\$ 5,418	\$ 56
Teacher Health Insurance Credit Program (Note 15)	1,579	1,693	13,115	814
Totals	<u>\$ 2,742</u>	<u>\$ 3,231</u>	<u>\$ 18,533</u>	<u>\$ 870</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 16—RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To reduce insurance costs and the need for self-insurance, the City has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The City is not self-insured.

The City has coverage with the VRSA Insurance Programs (“Program”). Each Program member jointly and severally agrees to assume, pay and discharge any liability. The City pays VRSA the contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Program and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Program may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City also contracts with private insurance carriers for accident insurance for all volunteer firefighters and holds a policy for any pollution associated with underground storage tanks. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 17—COMMITMENTS AND CONTINGENCIES:

Federal programs in which the City participates were audited in accordance with the provisions of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the CFR, the City’s major program was tested for compliance with applicable grant requirements.

While no matters of material noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

In fiscal year 2014, the City entered into an agreement to sell certain water assets to Fairfax County Water Authority. The City has potential liability related to any material adverse effects of the sale on the Authority. As of June 30, 2023, management is unaware of any liabilities related to this part of the sale agreement.

NOTE 18—LITIGATION:

At June 30, 2023, there were no matters of litigation involving the City which would materially affect the City’s position should any court decisions on pending matters not be favorable.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 19—CONSTRUCTION COMMITMENTS:

At June 30, 2022, the City had several major projects under construction which are summarized below:

<u>Project</u>	<u>Contract Amount</u>	<u>Expenditures as of June 30, 2023</u>	<u>Contract Balance</u>
Primary Government:			
Street Repaving	\$ 1,654,396	\$ 1,471,491	\$ 182,905
Curb Gutter and Sidewalk	1,850,000	1,845,952	4,048
Drainage Improvement	1,391,045	1,163,421	227,624
Total	<u>\$ 4,895,441</u>	<u>\$ 4,480,864</u>	<u>\$ 414,577</u>

NOTE 20—LEASE RECEIVABLE:

The City leases real property to third parties. The following summarizes the balances related to these leases for the year ended June 30, 2023:

<u>Lease Description</u>	<u>Component Unit IDA</u>			
	<u>Term Ends</u>	<u>Discount Rate</u>	<u>Lease Receivable June 30, 2023</u>	<u>Deferred Inflow of Resources June 30, 2023</u>
Parcel 114 & 113A	02/28/29	\$ 1.372%	<u>\$ 313,313</u>	<u>\$ 309,464</u>

Lease revenue totaled \$54,611 for the year ended June 30, 2023. Lease interest revenue totaled \$4,692 and for the year ended June 30, 2023.

NOTE 21—NEW ACCOUNTING STANDARDS:

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2023 (Continued)

NOTE 21—NEW ACCOUNTING STANDARDS: (CONTINUED)

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE 22—COVID-19:

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

In June 2022, the City received its share of the first half of the CSLFRF funds. During fiscal year 2022 the City received additional ARPA funds totaling \$2,332,705. In July 2022 the City received additional ARPA tranches totaling \$14,792,761. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$29,324,517 are reported as unearned revenue as of June 30.

NOTE 23—SUBSEQUENT EVENT:

On November 30, 2023 the City issued \$24 million in Public Facility Revenue Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios - City General and Public Safety Pension Plans
 Years Ended June 30, 2014 through June 30, 2023

	City General Plan									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 1,757,484	\$ 1,648,911	\$ 1,661,358	\$ 1,640,419	\$ 1,602,295	\$ 1,386,401	\$ 1,353,611	\$ 1,321,396	\$ 1,223,136	\$ 1,238,483
Interest	4,617,381	4,405,109	4,268,057	4,152,694	4,072,120	4,037,857	3,857,917	3,825,762	3,724,963	3,693,905
Benefit changes	-	-	-	-	-	-	-	-	-	40,012
Differences between expected and actual experience	1,880,587	1,684,651	230,670	(155,359)	(721,494)	(450,350)	765,030	(1,571,490)	(517,432)	(1,277,224)
Assumption changes	2,737,663	-	-	-	-	3,791,472	-	-	-	-
Benefit payments, including refunds of member contributions	(4,729,787)	(4,063,432)	(3,858,610)	(3,746,226)	(3,619,368)	(3,459,673)	(3,194,674)	(3,036,116)	(2,936,859)	(3,517,912)
Net change in total pension liability	6,263,328	3,675,239	2,301,475	1,891,528	1,333,553	5,305,707	2,781,884	539,552	1,493,808	177,264
Total pension liability - beginning	75,364,247	71,689,008	69,387,533	67,496,005	66,162,452	60,856,745	58,074,861	57,535,309	56,041,501	55,864,237
Total pension liability - ending (a)	<u>\$ 81,627,575</u>	<u>\$ 75,364,247</u>	<u>\$ 71,689,008</u>	<u>\$ 69,387,533</u>	<u>\$ 67,496,005</u>	<u>\$ 66,162,452</u>	<u>\$ 60,856,745</u>	<u>\$ 58,074,861</u>	<u>\$ 57,535,309</u>	<u>\$ 56,041,501</u>
Plan fiduciary net position										
Contributions - employer	\$ 2,009,467	\$ 2,054,994	\$ 1,757,645	\$ 1,722,578	\$ 932,247	\$ 796,752	\$ 745,267	\$ 758,268	\$ 1,064,636	\$ 876,511
Contributions - member	609,930	578,224	537,398	576,715	524,773	530,846	508,749	489,511	478,806	512,116
Net investment income	4,969,377	(11,080,798)	14,577,311	855,343	2,348,258	3,617,908	6,142,906	(861,774)	(598,006)	6,985,339
Benefit payments, including refunds of member contributions	(4,729,787)	(4,063,432)	(3,858,610)	(3,746,226)	(3,619,368)	(3,459,673)	(3,194,674)	(3,036,116)	(2,936,859)	(3,517,912)
Other	(21,439)	691,167	14,677	(1,237)	(7,568)	(133,202)	9,100	30,167	23,402	24,368
Net change in plan fiduciary net position	2,837,548	(11,819,845)	13,028,421	(592,827)	178,342	1,352,631	4,211,348	(2,619,944)	(1,968,021)	4,880,422
Plan fiduciary net position - beginning	60,455,509	72,275,354	59,246,933	59,839,760	59,661,418	58,308,787	54,097,439	56,717,383	58,685,404	53,804,982
Plan fiduciary net position - ending (b)	<u>\$ 63,293,057</u>	<u>\$ 60,455,509</u>	<u>\$ 72,275,354</u>	<u>\$ 59,246,933</u>	<u>\$ 59,839,760</u>	<u>\$ 59,661,418</u>	<u>\$ 58,308,787</u>	<u>\$ 54,097,439</u>	<u>\$ 56,717,383</u>	<u>\$ 58,685,404</u>
Net pension liability (asset) (a) - (b)	<u>\$ 18,334,518</u>	<u>\$ 14,908,738</u>	<u>\$ (586,346)</u>	<u>\$ 10,140,600</u>	<u>\$ 7,656,245</u>	<u>\$ 6,501,034</u>	<u>\$ 2,547,958</u>	<u>\$ 3,977,422</u>	<u>\$ 817,926</u>	<u>\$ (2,643,903)</u>
Plan fiduciary net position as a percentage of the total pension liability	77.54%	80.22%	100.82%	85.39%	88.66%	90.17%	95.81%	93.15%	98.58%	104.72%
Covered payroll	\$ 20,895,525	\$ 19,741,803	\$ 18,501,082	\$ 18,451,387	\$ 18,410,991	\$ 17,962,946	\$ 17,308,380	\$ 16,835,961	\$ 16,374,172	\$ 15,346,754
Net pension liability as a percentage of covered payroll	87.74%	75.52%	-3.17%	54.96%	41.59%	36.19%	14.72%	23.62%	5.00%	-17.23%

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios - City General and Public Safety Pension Plans
 Years Ended June 30, 2014 through June 30, 2023

	Public Safety Plan									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 2,058,389	\$ 2,002,345	\$ 1,927,358	\$ 1,905,869	\$ 1,858,187	\$ 1,692,697	\$ 1,654,690	\$ 1,660,398	\$ 1,687,952	\$ 1,721,480
Interest	5,523,859	5,168,110	5,153,734	5,035,873	4,896,030	4,955,670	4,689,991	4,608,292	4,549,584	4,482,529
Benefit changes	-	-	-	-	-	-	-	-	-	143,528
Differences between expected and actual experience	5,355,968	3,671,409	(1,823,360)	(37,117)	384,293	(1,069,579)	1,807,081	(1,105,294)	(1,642,507)	(1,925,872)
Assumption changes	4,888,737	-	-	-	-	3,892,883	-	-	-	-
Benefit payments, including refunds of member contributions	(5,257,684)	(5,098,134)	(5,032,270)	(5,026,910)	(4,822,817)	(4,447,734)	(4,021,835)	(3,878,524)	(3,544,481)	(3,278,507)
Net change in total pension liability	12,569,269	5,743,730	225,462	1,877,715	2,315,693	5,023,937	4,129,927	1,284,872	1,050,548	1,143,158
Total pension liability - beginning	89,981,392	84,237,662	84,012,200	82,134,485	79,818,792	74,794,855	70,664,928	69,380,056	68,329,508	67,186,350
Total pension liability - ending (a)	<u>\$ 102,550,661</u>	<u>\$ 89,981,392</u>	<u>\$ 84,237,662</u>	<u>\$ 84,012,200</u>	<u>\$ 82,134,485</u>	<u>\$ 79,818,792</u>	<u>\$ 74,794,855</u>	<u>\$ 70,664,928</u>	<u>\$ 69,380,056</u>	<u>\$ 68,329,508</u>
Plan fiduciary net position										
Contributions - employer	\$ 2,672,303	\$ 2,899,825	\$ 2,520,097	\$ 2,282,066	\$ 1,477,700	\$ 1,261,540	\$ 1,173,293	\$ 1,359,471	\$ 1,854,639	\$ 1,772,644
Contributions - member	946,509	873,104	830,542	871,773	781,348	812,118	800,484	777,157	781,168	816,864
Net investment income	5,603,766	(12,495,367)	16,438,245	964,537	2,648,038	4,079,768	6,654,814	(933,589)	(647,840)	7,567,450
Benefit payments, including refunds of member contributions	(5,257,684)	(5,098,134)	(5,032,270)	(5,026,910)	(4,822,817)	(4,447,734)	(4,021,835)	(3,878,524)	(3,544,481)	(3,278,507)
Other	(24,175)	779,401	16,550	(1,395)	(8,534)	122,489	9,858	32,681	25,352	26,399
Net change in plan fiduciary net position	3,940,719	(13,041,171)	14,773,164	(909,929)	75,735	1,828,181	4,616,614	(2,642,804)	(1,531,162)	6,904,850
Plan fiduciary net position - beginning	68,753,632	81,794,803	67,021,639	67,931,568	67,855,833	66,027,652	61,411,038	64,053,842	65,585,004	58,680,154
Plan fiduciary net position - ending (b)	<u>\$ 72,694,351</u>	<u>\$ 68,753,632</u>	<u>\$ 81,794,803</u>	<u>\$ 67,021,639</u>	<u>\$ 67,931,568</u>	<u>\$ 67,855,833</u>	<u>\$ 66,027,652</u>	<u>\$ 61,411,038</u>	<u>\$ 64,053,842</u>	<u>\$ 65,585,004</u>
Net pension liability (asset) (a) - (b)	<u>\$ 29,856,310</u>	<u>\$ 21,227,760</u>	<u>\$ 2,442,859</u>	<u>\$ 16,990,561</u>	<u>\$ 14,202,917</u>	<u>\$ 11,962,959</u>	<u>\$ 8,767,203</u>	<u>\$ 9,253,890</u>	<u>\$ 5,326,214</u>	<u>\$ 2,744,504</u>
Plan fiduciary net position as a percentage of the total pension liability	70.89%	76.41%	97.10%	79.78%	82.71%	85.01%	88.28%	86.90%	92.32%	95.98%
Covered payroll	\$ 14,471,313	\$ 12,611,924	\$ 12,245,664	\$ 11,794,400	\$ 11,830,345	\$ 11,570,282	\$ 11,787,583	\$ 11,490,902	\$ 11,474,760	\$ 11,561,315
Net pension liability as a percentage of covered payroll	206.31%	168.32%	19.95%	144.06%	120.05%	103.39%	74.38%	80.53%	46.42%	23.74%

Schedule of Employer Contributions - City General and Public Safety Pension Plans
Years Ended June 30, 2014 through June 30, 2023

City General Plan:	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,009,467	\$ 2,054,994	\$ 1,757,645	\$ 1,722,578	\$ 932,247	\$ 796,752	\$ 745,267	\$ 758,268	\$ 1,064,636	\$ 876,511
Contributions in relation to the actuarially determined contribution	<u>2,009,467</u>	<u>2,054,994</u>	<u>1,757,645</u>	<u>1,722,578</u>	<u>932,247</u>	<u>796,752</u>	<u>745,267</u>	<u>758,268</u>	<u>1,064,636</u>	<u>876,511</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 20,895,525	\$ 19,741,803	\$ 18,501,082	\$ 18,451,387	\$ 18,410,991	\$ 17,962,946	\$ 17,308,380	\$ 16,835,961	\$ 16,374,172	\$ 15,346,754
Contributions as a percentage of covered payroll	9.62%	10.41%	9.50%	9.34%	5.06%	4.44%	4.31%	4.50%	6.50%	5.71%
City Public Safety Plan:										
Actuarially determined contribution	\$ 2,672,303	\$ 2,899,825	\$ 2,520,097	\$ 2,282,066	\$ 1,477,700	\$ 1,261,540	\$ 1,173,293	\$ 1,359,471	\$ 1,854,639	\$ 1,772,644
Contributions in relation to the actuarially determined contribution	<u>2,672,303</u>	<u>2,899,825</u>	<u>2,520,097</u>	<u>2,282,066</u>	<u>1,477,700</u>	<u>1,261,540</u>	<u>1,173,293</u>	<u>1,359,471</u>	<u>1,854,639</u>	<u>1,772,644</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,471,313	\$ 12,611,924	\$ 12,245,664	\$ 11,794,400	\$ 11,830,345	\$ 11,570,282	\$ 11,787,583	\$ 11,490,902	\$ 11,474,760	\$ 11,561,315
Contributions as a percentage of covered payroll	18.47%	22.99%	20.58%	19.35%	12.49%	10.90%	9.95%	11.83%	16.16%	15.33%

Notes to Schedule**Valuation date:**

Actuarially determined contribution rates are calculated as of June 30, 12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	General Plan	Public Safety Plan
Actuarial cost method	Entry age actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	10 years, closed	10 years, closed
Asset valuation method	5-year smoothed fair value for funding purposes	5-year smoothed fair value for funding purposes
Price inflation	2.50%	2.50%
Salary increases	3.75% to 7.75% including inflation	3.75% to 7.75% including inflation
Investment rate of return	6.00%	6.00%
Retirement age	Experience-based table of rates specific to type of eligibility	Experience-based table of rates specific to type of eligibility
Mortality	RP-2014 mortality tables	RP-2014 mortality tables

Schedule of Investment Returns - City General and Public Safety Pension Plans
 Years Ended June 30, 2015 through June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	9.01%	-14.16%	25.39%	1.50%	4.50%	6.60%	11.29%	-1.50%	-1.10%

Note: The City implemented GASB 68 in fiscal year 2015.
 Information for the previous years is unavailable.

Schedule of Changes in Net Pension Liability and Related Ratios - VRS
 Primary Government
 Pension Plans
 Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 2,418,498	\$ 2,549,850	\$ 2,641,322	\$ 2,399,209
Interest	12,548,839	11,754,265	11,460,855	11,141,537
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(1,240,368)	(203,279)	214,430	1,352,480
Changes of assumptions	-	5,550,736	-	4,998,787
Benefit payments	(10,298,461)	(10,298,747)	(9,640,851)	(8,891,913)
Net change in total pension liability	\$ 3,428,508	\$ 9,352,825	\$ 4,675,756	\$ 11,000,100
Total pension liability - beginning	188,639,453	179,286,628	174,610,872	163,610,772
Total pension liability - ending (a)	\$ 192,067,961	\$ 188,639,453	\$ 179,286,628	\$ 174,610,872
Plan fiduciary net position				
Contributions - employer	\$ 4,160,099	\$ 3,924,981	\$ 3,608,836	\$ 3,547,019
Contributions - employee	1,511,376	1,429,325	1,457,166	1,499,039
Net investment income	(120,600)	34,331,697	2,487,781	8,210,321
Benefit payments	(10,298,461)	(10,298,747)	(9,640,851)	(8,891,913)
Administrator charges	(98,211)	(87,996)	(85,616)	(83,456)
Other	3,029	(8,118)	(2,870)	(5,168)
Net change in plan fiduciary net position	\$ (4,842,768)	\$ 29,291,142	\$ (2,175,554)	\$ 4,275,842
Plan fiduciary net position - beginning	156,569,310	127,278,168	129,453,722	125,177,880
Plan fiduciary net position - ending (b)	\$ 151,726,542	\$ 156,569,310	\$ 127,278,168	\$ 129,453,722
City's net pension liability (asset) - ending (a) - (b)	\$ 40,341,419	\$ 32,070,143	\$ 52,008,460	\$ 45,157,150
Plan fiduciary net position as a percentage of the total pension liability	79.00%	83.00%	70.99%	74.14%
Covered payroll	\$ 31,540,166	\$ 29,610,743	\$ 30,126,334	\$ 29,415,870
City's net pension liability (asset) as a percentage of covered payroll	127.90%	108.31%	172.63%	153.51%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Changes in Net Pension Liability and Related Ratios - VRS

Primary Government

Pension Plans

Measurement Dates of June 30, 2014 through June 30, 2022

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 2,381,646	\$ 2,495,898	\$ 2,423,842	\$ 2,409,740	\$ 2,553,033
Interest	10,543,188	10,484,207	10,049,084	9,813,324	9,430,342
Changes in benefit terms	-	-	-	65,193	-
Differences between expected and actual experience	4,284,241	(1,772,110)	1,376,065	(1,785,717)	-
Changes of assumptions	-	(2,275,619)	-	-	-
Benefit payments	(8,430,548)	(7,749,032)	(7,516,872)	(6,752,212)	(6,272,188)
Net change in total pension liability	\$ 8,778,527	\$ 1,183,344	\$ 6,332,119	\$ 3,750,328	\$ 5,711,187
Total pension liability - beginning	154,832,245	153,648,901	147,316,782	143,566,454	137,855,267
Total pension liability - ending (a)	\$ 163,610,772	\$ 154,832,245	\$ 153,648,901	\$ 147,316,782	\$ 143,566,454
Plan fiduciary net position					
Contributions - employer	\$ 3,606,104	\$ 3,571,518	\$ 3,527,021	\$ 3,485,306	\$ 3,659,625
Contributions - employee	1,478,222	1,633,968	1,393,173	1,355,267	1,374,989
Net investment income	8,775,432	13,186,788	1,867,356	4,869,624	14,717,193
Benefit payments	(8,430,548)	(7,749,032)	(7,516,872)	(6,752,212)	(6,272,188)
Administrator charges	(76,892)	(77,024)	(68,917)	(67,435)	(79,665)
Other	(7,769)	(11,711)	(800)	(1,026)	776
Net change in plan fiduciary net position	\$ 5,344,549	\$ 10,554,507	\$ (799,039)	\$ 2,889,524	\$ 13,400,730
Plan fiduciary net position - beginning	119,833,331	109,278,824	110,077,863	107,188,339	93,787,609
Plan fiduciary net position - ending (b)	\$ 125,177,880	\$ 119,833,331	\$ 109,278,824	\$ 110,077,863	\$ 107,188,339
City's net pension liability (asset) - ending (a) - (b)	\$ 38,432,892	\$ 34,998,914	\$ 44,370,077	\$ 37,238,919	\$ 36,378,115
Plan fiduciary net position as a percentage of the total pension liability	76.51%	77.40%	71.12%	74.72%	74.66%
Covered payroll	\$ 28,964,535	\$ 28,412,507	\$ 27,216,054	\$ 26,784,659	\$ 27,316,166
City's net pension liability (asset) as a percentage of covered payroll	132.69%	123.18%	163.03%	139.03%	133.17%

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Pension Plans
Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.00109%	0.00115%	0.00115%	0.00116%	0.0012%	0.0012%	0.00117%	0.00115%	0.00116%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 103,775	\$ 89,275	\$ 167,355	\$ 152,663	\$ 141,000	\$ 148,000	\$ 164,000	\$ 150,000	\$ 140,000
Employer's Covered Payroll	97,615	97,615	97,615	95,142	95,142	93,276	89,423	85,543	85,118
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	106.31%	91.46%	171.44%	160.46%	148.20%	158.67%	183.40%	175.35%	164.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%	85.46%	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions - VRS Pension
Pension Plans
Years Ended June 30, 2014 through June 30, 2023

<u>Date</u>	<u>Contractually Required Contribution (1)*</u>	<u>Contributions in Relation to Contractually Required Contribution (2)*</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
Primary Government					
2023	\$ 4,709,836	\$ 4,709,836	\$ -	\$ 33,718,477	13.97%
2022	4,164,956	4,164,956	-	31,540,166	13.21%
2021	3,926,288	3,926,288	-	29,610,743	13.26%
2020	3,625,317	3,625,317	-	30,126,334	12.03%
2019	3,545,470	3,545,470	-	29,415,870	12.05%
2018	3,613,693	3,613,693	-	28,964,535	12.48%
2017	3,616,912	3,616,912	-	28,412,507	12.73%
2016	3,557,138	3,557,138	-	27,216,054	13.07%
2015	3,500,755	3,500,755	-	26,784,659	13.07%
2014	3,425,447	3,425,447	-	27,316,166	12.54%
Component Unit School Board (professional)					
2023	\$ 16,386	\$ 16,386	\$ -	\$ 98,594	16.62%
2022	16,224	16,224	-	97,615	16.62%
2021	16,224	16,224	-	97,615	16.62%
2020	15,306	15,306	-	97,615	15.68%
2019	16,161	16,161	-	95,142	16.99%
2018	13,674	13,674	-	95,142	14.37%
2017	12,573	12,573	-	93,276	13.48%
2016	12,404	12,404	-	89,423	13.87%
2015	9,925	9,925	-	85,543	11.60%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Schedule is intended to show information for 10 years. Information for the School Board (professional plan prior to 2015) is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information - VRS Pension
 Pension Plans
 Year Ended June 30, 2023

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Schedule of Changes in Total OPEB Liability and Related Ratios
City Pay-As-You-Go OPEB Plan
Years Ended June 30, 2018 through June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 429,689	\$ 740,821	\$ 648,126	\$ 588,840	\$ 493,978	\$ 479,137
Interest	484,213	360,846	473,434	538,713	509,096	489,539
Differences between expected and actual experience	134,633	74,673	(2,637,504)	(171,060)	429,083	(37,111)
Changes in benefit terms	-	(1,739,733)	-	-	-	-
Changes of assumptions	426,788	(4,097,613)	1,663,680	1,726,104	2,186,815	(117,292)
Benefit payments	(950,017)	(760,396)	(687,270)	(512,096)	(525,039)	(493,675)
Net change in total OPEB liability	\$ 525,306	\$ (5,421,402)	\$ (539,534)	\$ 2,170,501	\$ 3,093,933	\$ 320,598
Total OPEB liability - beginning	13,382,458	18,803,860	19,343,394	17,172,893	14,078,960	13,758,362
Total OPEB liability - ending	\$ 13,907,764	\$ 13,382,458	\$ 18,803,860	\$ 19,343,394	\$ 17,172,893	\$ 14,078,960
Covered-employee payroll	\$ 44,062,264	\$ 39,722,121	\$ 38,457,799	\$ 37,177,439	\$ 36,723,863	\$ 33,143,226
City's total OPEB liability (asset) as a percentage of covered-employee payroll	31.56%	33.69%	48.89%	52.03%	46.76%	42.48%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - City Pay-As-You-Go OPEB Plan
Year Ended June 30, 2023

Valuation Date: 6/30/2022
Measurement Date: 6/30/2023

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Discount Rate	3.86% as of June 30, 2023 and 3.69% as of June 30, 2022
Inflation	2.50%
Healthcare Trend Rate	Initial trend of 7.50% gradually decreasing to an ultimate trend rate of 3.50% in year 12 for pre-65. Initial trend of 6.25% gradually decreasing to an ultimate trend rate of 3.50% in year 12 for post-65.
Salary Increase Rates	3.75 to 7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition and date of hire
Mortality Rates	RP-2014 Fully Generational Mortality Tables, adjusted backwards to 2006 with the MP-2014 Scale. Future mortality improvements assumed each year using scale MP-2017.

Schedule of City of Fairfax, Virginia's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 Measurement Dates of June 30, 2017 through 2022

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Component Unit School Board (professional)					
2022	0.00050% \$	5,418 \$	97,615	5.55%	67.21%
2021	0.00050%	5,473	97,615	5.61%	67.45%
2020	0.00050%	7,844	97,615	8.04%	52.64%
2019	0.00049%	7,973	95,142	8.38%	52.00%
2018	0.00051%	8,000	95,142	8.41%	51.22%
2017	0.00050%	8,000	93,276	8.58%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 Years Ended June 30, 2014 through June 30, 2023

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
Component Unit School Board (professional)					
2023	\$ 532	\$ 532	-	\$ 98,594	0.54%
2022	527	527	-	97,615	0.54%
2021	527	527	-	97,615	0.54%
2020	508	508	-	97,615	0.52%
2019	495	495	-	95,142	0.52%
2018	495	495	-	95,142	0.52%
2017	485	485	-	93,276	0.52%
2016	429	429	-	89,423	0.48%
2015	411	411	-	85,543	0.48%
2014	409	409	-	85,118	0.48%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 Year Ended June 30, 2023

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Fairfax City School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2022	0.00105%	\$ 13,115	\$ 97,615	13.44%	15.08%
2021	0.00110%	14,120	97,615	14.46%	13.15%
2020	0.00111%	14,480	97,615	14.83%	9.95%
2019	0.00113%	14,793	95,142	15.55%	8.97%
2018	0.00118%	15,000	95,142	15.77%	8.08%
2017	0.00118%	15,000	93,276	16.08%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Plan
 Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 1,193	\$ 1,193	\$ -	\$ 98,594	1.21%
2022	1,181	1,181	-	97,615	1.21%
2021	1,181	1,181	-	97,615	1.21%
2020	1,171	1,171	-	97,615	1.20%
2019	1,142	1,142	-	95,142	1.20%
2018	1,170	1,170	-	95,142	1.23%
2017	1,035	1,035	-	93,276	1.11%
2016	948	948	-	89,423	1.06%
2015	907	907	-	85,543	1.06%
2014	945	945	-	85,118	1.11%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Plan
 Year Ended June 30, 2023

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet
 Nonmajor Governmental Funds
 At June 30, 2023

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Old Town Fairfax Fund	Commercial Transportation Tax Fund	
Assets				
Cash and cash equivalents	\$ 426,110	\$ 241,869	\$ 4,804,363	\$ 5,472,342
Prepaid items	-	6,694	-	6,694
Total assets	<u>\$ 426,110</u>	<u>\$ 248,563</u>	<u>\$ 4,804,363</u>	<u>\$ 5,479,036</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 695	\$ 260	\$ -	\$ 955
Total liabilities	<u>\$ 695</u>	<u>\$ 260</u>	<u>\$ -</u>	<u>\$ 955</u>
Fund Balances				
Fund balances:				
Nonspendable	\$ -	\$ 6,694	\$ -	\$ 6,694
Restricted	425,415	70,176	-	495,591
Assigned	-	171,433	4,804,363	4,975,796
Total fund balances	<u>\$ 425,415</u>	<u>\$ 248,303</u>	<u>\$ 4,804,363</u>	<u>\$ 5,478,081</u>
Total liabilities and fund balances	<u>\$ 426,110</u>	<u>\$ 248,563</u>	<u>\$ 4,804,363</u>	<u>\$ 5,479,036</u>

Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2023

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Old Town Fairfax Fund	Commercial Transportation Tax Fund	Stormwater Fund	
Revenues					
Other local taxes	\$ -	\$ -	\$ 2,899,400	\$ -	\$ 2,899,400
Miscellaneous	63,350	-	-	-	63,350
Intergovernmental:					
Commonwealth	-	70,176	-	-	70,176
Total revenues	<u>\$ 63,350</u>	<u>\$ 70,176</u>	<u>\$ 2,899,400</u>	<u>\$ -</u>	<u>\$ 3,032,926</u>
Expenditures					
Current:					
Public works	\$ -	\$ 239,776	\$ 234,133	\$ -	\$ 473,909
Parks, recreation and cultural	3,950	-	-	-	3,950
Total expenditures	<u>\$ 3,950</u>	<u>\$ 239,776</u>	<u>\$ 234,133</u>	<u>\$ -</u>	<u>\$ 477,859</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 59,400</u>	<u>\$ (169,600)</u>	<u>\$ 2,665,267</u>	<u>\$ -</u>	<u>\$ 2,555,067</u>
Other financing sources (uses)					
Transfers in	\$ -	\$ 189,188	\$ 2,399,407	\$ -	\$ 2,588,595
Transfers (out)	-	-	(4,903,705)	(2,506,903)	(7,410,608)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 189,188</u>	<u>\$ (2,504,298)</u>	<u>\$ (2,506,903)</u>	<u>\$ (4,822,013)</u>
Net changes in fund balances	<u>\$ 59,400</u>	<u>\$ 19,588</u>	<u>\$ 160,969</u>	<u>\$ (2,506,903)</u>	<u>\$ (2,266,946)</u>
Fund balances, beginning	<u>366,015</u>	<u>228,715</u>	<u>4,643,394</u>	<u>2,506,903</u>	<u>7,745,027</u>
Fund balances, ending	<u><u>\$ 425,415</u></u>	<u><u>\$ 248,303</u></u>	<u><u>\$ 4,804,363</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,478,081</u></u>

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 At June 30, 2023

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets			
Mutual and money market funds	\$ 63,267,151	\$ 72,664,596	\$ 135,931,747
Stocks	21,199	24,348	45,547
Accrued interest	4,707	5,407	10,114
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>63,293,057</u>	\$ <u>72,694,351</u>	\$ <u>135,987,408</u>
Net Position			
Restricted for pension benefits	\$ <u>63,293,057</u>	\$ <u>72,694,351</u>	\$ <u>135,987,408</u>

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2023

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Additions			
Plan member and employer contributions	\$ 2,597,958	\$ 3,594,637	\$ 6,192,595
Investment income:			
Interest and dividends earned on investments	\$ 786,668	887,094	\$ 1,673,762
Net appreciation in fair value of investments	4,466,683	5,036,898	9,503,581
Total investment income	\$ 5,253,351	\$ 5,923,992	\$ 11,177,343
Less: Investment expenses	283,974	320,226	604,200
Net investment income	\$ 4,969,377	\$ 5,603,766	\$ 10,573,143
Total additions	\$ 7,567,335	\$ 9,198,403	\$ 16,765,738
Deductions			
Retirement and disability benefits	\$ 4,729,787	\$ 5,257,684	\$ 9,987,471
Total deductions	\$ 4,729,787	\$ 5,257,684	\$ 9,987,471
Change in net position	\$ 2,837,548	\$ 3,940,719	\$ 6,778,267
Net position - beginning	60,455,509	68,753,632	129,209,141
Net position - ending	\$ 63,293,057	\$ 72,694,351	\$ 135,987,408

Combining Balance Sheet -
Discretely Presented Component Unit - School Board
At June 30, 2023

	<u>School Operating Fund</u>	<u>School Bond Renovation Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,500	\$ 2,500
Due from primary government	561,798		561,798
Due from other governments	<u>1,160,308</u>	<u>-</u>	<u>1,160,308</u>
Total assets	<u>\$ 1,722,106</u>	<u>\$ 2,500</u>	<u>\$ 1,724,606</u>
LIABILITIES			
Accounts payable	\$ <u>1,722,106</u>	\$ -	\$ <u>1,722,106</u>
Total liabilities	<u>\$ 1,722,106</u>	<u>\$ -</u>	<u>\$ 1,722,106</u>
FUND BALANCES			
Assigned - capital projects	\$ -	\$ 2,500	\$ 2,500
Total fund balances	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>
Total liabilities and fund balances	<u>\$ 1,722,106</u>	<u>\$ 2,500</u>	<u>\$ 1,724,606</u>

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position -
Discretely Presented Component Unit - School Board
At June 30, 2023

		<u>Governmental Funds</u>
Total fund balances - governmental funds	\$	2,500
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:		
Capital assets:		
Land	\$	1,381,115
Buildings and improvements		63,885,772
Machinery and equipment		1,390,871
Accumulated depreciation		<u>(55,860,488)</u>
		10,797,270
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore are not reported in the funds.		
Pension related items	\$	26,197
OPEB related items		<u>2,742</u>
		28,939
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Net pension liabilities	\$	(103,775)
Net OPEB liabilities		(18,533)
Compensated absences		<u>(26,974)</u>
		(149,282)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(28,310)
OPEB related items		<u>(3,231)</u>
		(31,541)
Net position of governmental activities	\$	<u><u>10,647,886</u></u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2023

	School Operating Fund	School Bond Renovation Fund	Total
Revenues:			
Revenue from use of money and property	\$ 2,355,975	\$ -	\$ 2,355,975
Charges for services	495,584	-	495,584
Intergovernmental:			
City contribution to School Board	41,546,843	-	41,546,843
Commonwealth	11,850,929	-	11,850,929
Total revenues	\$ 56,249,331	\$ -	\$ 56,249,331
Expenditures:			
Current:			
Education	\$ 56,249,331	\$ -	\$ 56,249,331
Total expenditures	\$ 56,249,331	\$ -	\$ 56,249,331
Net changes in fund balances	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	2,500	2,500
Fund balances at end of year	\$ -	\$ 2,500	\$ 2,500

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2023

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ -
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlay in the current period.</p>	
Capital outlay	\$ 14,573
Depreciation expense	<u>(4,275,061)</u> (4,260,488)
Transfer of joint tenancy assets from Primary Government to Component Unit School Board, net	1,333,741
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:</p>	
Pension expense	\$ 18,332
OPEB expense	856
Change in compensated absences	<u>43,433</u> 62,621
Special contributions received from the Commonwealth for OPEB cost sharing pools are not reported in governmental funds.	<u>263</u>
Change in net position of governmental activities	\$ <u><u>(2,863,863)</u></u>

Combining Statement of Net Position -
Discretely Presented Nonmajor Component Units
At June 30, 2023

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 715,218	\$ 2,146,906	\$ 2,862,124
Leases receivable	313,313	-	313,313
Inventory - property held for resale	-	862,594	862,594
Capital assets (net of accumulated depreciation):			
Lease buildings	-	7,918,541	7,918,541
 Total assets	 <u>\$ 1,028,531</u>	 <u>\$ 10,928,041</u>	 <u>\$ 11,956,572</u>
LIABILITIES			
Current liabilities:			
Due to primary government	\$ -	\$ 1,100,825	\$ 1,100,825
Current portion of long-term obligations	-	439,647	439,647
Total current liabilities	<u>\$ -</u>	<u>\$ 1,540,472</u>	<u>\$ 1,540,472</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	\$ -	\$ 7,465,925	\$ 7,465,925
 Total liabilities	 <u>\$ -</u>	 <u>\$ 9,006,397</u>	 <u>\$ 9,006,397</u>
DEFERRED INFLOWS OF RESOURCES:			
Leases related	\$ 309,464	\$ -	\$ 309,464
NET POSITION			
Net investment in capital assets	\$ -	\$ 12,969	\$ 12,969
Unrestricted	719,067	1,908,675	2,627,742
 Total net position	 <u>\$ 719,067</u>	 <u>\$ 1,921,644</u>	 <u>\$ 2,640,711</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 1,028,531</u>	 <u>\$ 10,928,041</u>	 <u>\$ 11,956,572</u>

Combining Statement of Activities -
Discretely Presented Nonmajor Component Units
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues					Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Industrial Development Authority	Economic Development Authority	
Nonmajor component units:							
Industrial Development Authority	\$ 381,718	\$ 54,611	\$ -	\$ -	\$ (327,107)	\$ -	\$ (327,107)
Economic Development Authority	852,284	-	-	-	-	(852,284)	(852,284)
Total nonmajor component units	\$ 1,234,002	\$ 54,611	\$ -	\$ -	\$ (327,107)	\$ (852,284)	\$ (1,179,391)
General revenues:							
Unrestricted revenues from use of money				\$ 671,895	\$ 33,010	\$ 704,905	
Contributions from/(to) City of Fairfax				92,367	-	92,367	
Miscellaneous				-	1,252,551	1,252,551	
Total general revenues				\$ 764,262	\$ 1,285,561	\$ 2,049,823	
Change in net position				\$ 437,155	\$ 433,277	\$ 870,432	
Net position - beginning				281,912	1,488,367	1,770,279	
Net position - ending				\$ 719,067	\$ 1,921,644	\$ 2,640,711	

Combining Balance Sheet -
Discretely Presented Nonmajor Component Units
At June 30, 2023

	Industrial Development Authority	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 715,218	\$ 2,146,906	\$ 2,862,124
Leases receivable	313,313	-	313,313
Total assets	\$ 1,028,531	\$ 2,146,906	\$ 3,175,437
LIABILITIES			
Due to primary government	\$ -	\$ 1,100,825	\$ 1,100,825
Total liabilities	\$ -	\$ 1,100,825	\$ 1,100,825
DEFERRED INFLOWS OF RESOURCES			
Leases related	\$ 309,464	-	\$ 309,464
FUND BALANCES			
Unassigned	\$ 719,067	\$ 1,046,081	\$ 1,765,148
Total fund balances	\$ 719,067	\$ 1,046,081	\$ 1,765,148
Total liabilities, deferred inflows of resources and net position	\$ 1,028,531	\$ 2,146,906	\$ 3,175,437

Combining Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position -
Discretely Presented Nonmajor Component Units
At June 30, 2023

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Totals</u>
Total fund balances - governmental funds	\$ 719,067	\$ 1,046,081	\$ 1,765,148
Amounts reported for governmental activities in the statement of net position are different because:			
Assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:			
Inventory held for resale	-	862,594	862,594
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:			
Capital assets	-	7,997,852	7,997,852
Accumulated depreciation	-	(79,311)	(79,311)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.			
Lease liabilities	-	(7,905,572)	(7,905,572)
Net position of governmental activities	\$ <u>719,067</u>	\$ <u>1,921,644</u>	\$ <u>2,640,711</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Nonmajor Component Units
Year Ended June 30, 2023

	Industrial Development Authority	Economic Development Authority	Totals
Revenues:			
Revenue from use of money and property	\$ 726,506	\$ 33,010	\$ 759,516
Miscellaneous	92,367	1,252,551	1,344,918
Total revenues	<u>\$ 818,873</u>	<u>\$ 1,285,561</u>	<u>\$ 2,104,434</u>
Expenditures:			
Current:			
Planning and community development	\$ 381,718	\$ 8,757,847	\$ 9,139,565
Debt service:			
Principal retirement	-	92,280	92,280
Interest and fiscal charges	-	12,978	12,978
Total expenditures	<u>\$ 381,718</u>	<u>\$ 8,863,105</u>	<u>\$ 9,244,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 437,155</u>	<u>\$ (7,577,544)</u>	<u>\$ (7,140,389)</u>
Other financing sources (uses):			
Lease proceeds	<u>\$ -</u>	<u>\$ 7,997,852</u>	<u>\$ 7,997,852</u>
Net changes in fund balances	\$ 437,155	\$ 420,308	\$ 857,463
Fund balances at beginning of year	<u>281,912</u>	<u>625,773</u>	<u>907,685</u>
Fund balances at end of year	<u><u>\$ 719,067</u></u>	<u><u>\$ 1,046,081</u></u>	<u><u>\$ 1,765,148</u></u>

Combining Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Nonmajor Component Units
Year Ended June 30, 2023

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Totals</u>
Net changes in fund balances-discretely presented nonmajor component units	\$ 437,155	\$ 420,308	\$ 857,463
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment:			
	-	-	-
Capital outlay	-	7,997,852	7,997,852
Depreciation expense	-	(79,311)	(79,311)
The net effect of principal retirement of long-term obligations		92,280	92,280
Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets	-	(7,997,852)	(7,997,852)
Change in net position of governmental activities	<u>\$ 437,155</u>	<u>\$ 433,277</u>	<u>\$ 870,432</u>

CITY OF FAIRFAX, VIRGINIA

STATISTICAL SECTION
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The statistical section of the City's annual comprehensive financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

<u>Contents</u>	<u>Table Number</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	1 to 5
Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue sources, the property tax, as well as other revenue sources.	6 to 10
Debt Capacity These tables present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	11 to 13
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	14
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	15 to 18

Sources:

Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial report for the relevant year.

The following statistical table recommended by the National Council on Governmental Accounting is not included for the reason stated below:

The City of Fairfax, Virginia has no overlapping debt with any other government within its boundaries. Cities in the Commonwealth of Virginia are not part of the surrounding counties, and cities have no political subdivisions.

Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2014	2015	2016	2017	2018
Governmental activities:					
Net investment in capital assets	\$ 63,399,428	\$ 65,367,317	\$ 71,652,799	\$ 89,994,608	\$ 92,337,222
Restricted	-	-	1,853,012	-	-
Unrestricted	18,424,001	(15,838,209)	(12,935,193)	(17,230,148)	(34,599,438)
Total governmental activities net position	\$ 81,823,429	\$ 49,529,108	\$ 60,570,618	\$ 72,764,460	\$ 57,737,784
Business-type activities:					
Net investment in capital assets	\$ 7,100,899	\$ 12,154,408	\$ 13,084,192	\$ 16,760,073	\$ 14,815,699
Restricted	-	-	-	-	-
Unrestricted	3,678,285	(3,269,148)	(2,464,223)	(4,915,848)	(3,331,788)
Total business-type activities net position	\$ 10,779,184	\$ 8,885,260	\$ 10,619,969	\$ 11,844,225	\$ 11,483,911
Primary government:					
Net investment in capital assets	\$ 70,500,327	\$ 77,521,725	\$ 84,736,991	\$ 106,754,681	\$ 107,152,921
Restricted	-	-	1,853,012	-	-
Unrestricted (deficit)	22,102,286	(19,107,357)	(15,399,416)	(22,145,996)	(37,931,226)
Total primary government net position	\$ 92,602,613	\$ 58,414,368	\$ 71,190,587	\$ 84,608,685	\$ 69,221,695
Component units:					
Component unit - school board:					
Net investment in capital assets	\$ 7,567,026	\$ 5,943,493	\$ 4,215,500	\$ 2,408,470	\$ 22,093,807
Unrestricted	1,323,608	1,060,848	1,065,071	1,090,278	358,067
Total component unit - school board net position	\$ 8,890,634	\$ 7,004,341	\$ 5,280,571	\$ 3,498,748	\$ 22,451,874
Component unit - all others aggregate					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted (deficit)	537,986	501,631	438,089	701,999	972,023
Total component unit - all others aggregate net position	\$ 537,986	\$ 501,631	\$ 438,089	\$ 701,999	\$ 972,023
Component units:					
Net investment in capital assets	\$ 7,567,026	\$ 5,943,493	\$ 4,215,500	\$ 2,408,470	\$ 22,093,807
Unrestricted (deficit)	1,861,594	1,562,479	1,503,160	1,792,277	1,330,090
Total component units net position	\$ 9,428,620	\$ 7,505,972	\$ 5,718,660	\$ 4,200,747	\$ 23,423,897
Total reporting entity:					
Net investment in capital assets	\$ 78,067,353	\$ 83,465,218	\$ 88,952,491	\$ 109,163,151	\$ 129,246,728
Restricted	-	-	1,853,012	-	-
Unrestricted (deficit)	23,963,880	(17,544,878)	(13,896,256)	(20,353,719)	(36,601,136)
Total reporting entity net position	\$ 102,031,233	\$ 65,920,340	\$ 76,909,247	\$ 88,809,432	\$ 92,645,592

Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2019	2020	2021	2022	2023
Governmental activities:					
Net investment in capital assets	\$ 110,643,629	\$ 109,962,326	\$ 113,626,873	\$ 108,810,593	\$ 104,874,933
Restricted	-	-	549,875	1,519,372	1,897,566
Unrestricted	(37,890,603)	(42,272,728)	(35,990,643)	(27,928,863)	(25,916,919)
Total governmental activities net position	\$ 72,753,026	\$ 67,689,598	\$ 78,186,105	\$ 82,401,102	\$ 80,855,580
Business-type activities:					
Net investment in capital assets	\$ 12,941,456	\$ 16,842,813	\$ 20,242,955	\$ 22,675,922	\$ 29,545,228
Restricted	-	-	36,471	-	-
Unrestricted	1,440,834	794,349	(1,854,850)	1,736,301	3,997,037
Total business-type activities net position	\$ 14,382,290	\$ 17,637,162	\$ 18,424,576	\$ 24,412,223	\$ 33,542,265
Primary government:					
Net investment in capital assets	\$ 123,585,085	\$ 126,805,139	\$ 133,869,828	\$ 131,486,515	\$ 134,420,161
Restricted	-	-	586,346	1,519,372	1,897,566
Unrestricted (deficit)	(36,449,769)	(41,478,379)	(37,845,493)	(26,192,562)	(21,919,882)
Total primary government net position	\$ 87,135,316	\$ 85,326,760	\$ 96,610,681	\$ 106,813,325	\$ 114,397,845
Component units:					
Component unit - school board:					
Net investment in capital assets	\$ 20,174,371	\$ 18,367,571	\$ 16,230,509	\$ 13,724,017	\$ 10,797,270
Unrestricted	355,687	(211,906)	(221,701)	(212,268)	(149,384)
Total component unit - school board net position	\$ 20,530,058	\$ 18,155,665	\$ 16,008,808	\$ 13,511,749	\$ 10,647,886
Component unit - all others aggregate					
Net investment in capital assets	-	-	-	-	12,969
Unrestricted (deficit)	1,043,267	1,269,036	1,064,409	1,770,279	2,627,742
Total component unit - all others aggregate net position	\$ 1,043,267	\$ 1,269,036	\$ 1,064,409	\$ 1,770,279	\$ 2,640,711
Component units:					
Net investment in capital assets	\$ 20,174,371	\$ 18,367,571	\$ 16,230,509	\$ 13,724,017	\$ 10,810,239
Unrestricted (deficit)	1,398,954	1,057,130	842,708	1,558,011	2,478,358
Total component units net position	\$ 21,573,325	\$ 19,424,701	\$ 17,073,217	\$ 15,282,028	\$ 13,288,597
Total reporting entity:					
Net investment in capital assets	\$ 143,759,456	\$ 145,172,710	\$ 150,100,337	\$ 145,210,532	\$ 145,230,400
Restricted	-	-	586,346	1,519,372	1,897,566
Unrestricted (deficit)	(35,050,815)	(40,421,249)	(37,002,785)	(24,634,551)	(19,441,524)
Total reporting entity net position	\$ 108,708,641	\$ 104,751,461	\$ 113,683,898	\$ 122,095,353	\$ 127,686,442

Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses:										
Governmental activities:										
General government administration	\$ 7,903,372	\$ 10,251,105	\$ 10,396,072	\$ 15,427,080	\$ 13,246,118	\$ 11,767,354	\$ 14,131,161	\$ 13,934,723	\$ 15,007,999	\$ 16,362,370
Judicial administration	2,527,823	2,566,975	2,760,270	2,641,135	2,849,199	2,312,436	2,288,540	2,035,541	2,277,280	2,283,533
Public safety	25,761,694	24,773,928	24,685,951	28,319,921	29,330,107	30,930,693	32,673,151	29,823,889	31,762,211	38,708,941
Public works	18,350,340	18,944,387	25,058,080	18,019,293	24,659,649	18,056,484	24,671,425	24,266,930	27,378,820	26,141,475
Health and social services	5,287,258	5,591,135	5,755,718	5,989,432	6,385,447	6,678,195	6,650,856	6,685,641	7,487,450	8,533,885
Parks, recreation and cultural	6,239,803	8,089,994	7,111,958	7,621,091	7,423,229	7,776,853	6,994,746	5,404,350	7,547,705	8,312,111
Planning and community development	2,096,919	2,444,565	2,468,106	2,541,882	2,853,045	3,211,377	3,397,246	5,264,656	4,713,754	5,236,711
Education	42,997,193	42,165,145	39,722,829	39,529,350	43,851,048	44,119,478	45,025,477	43,500,973	44,200,847	45,390,992
Interest	5,932,138	5,209,890	5,261,694	5,572,324	3,770,205	4,398,387	5,419,221	4,608,757	4,397,779	2,679,929
Total governmental activities expenses	\$ 117,096,540	\$ 120,037,124	\$ 123,220,678	\$ 125,661,508	\$ 134,368,047	\$ 129,251,257	\$ 141,251,823	\$ 135,525,460	\$ 144,773,845	\$ 153,649,947
Business-type activities:										
Wastewater	\$ 5,396,798	\$ 5,445,448	\$ 6,357,667	\$ 6,532,510	\$ 6,985,840	\$ 6,878,926	\$ 6,775,824	\$ 7,059,800	\$ 7,429,209	\$ 8,517,385
Water	7,199,246	102,544	96,419	62	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-	-	6,350,220
Transportation	3,472,495	3,481,209	6,646,669	4,211,823	4,190,978	4,246,680	4,548,644	4,830,660	5,610,177	5,608,950
Total business-type activities expenses	\$ 16,068,539	\$ 9,029,201	\$ 13,100,755	\$ 10,744,395	\$ 11,176,818	\$ 11,125,606	\$ 11,324,468	\$ 11,890,460	\$ 13,039,386	\$ 20,476,555
Total primary government expenses	\$ 133,165,079	\$ 129,066,325	\$ 136,321,433	\$ 136,405,903	\$ 145,544,865	\$ 140,376,863	\$ 152,576,291	\$ 147,415,920	\$ 157,813,231	\$ 174,126,502
Program revenue:										
Governmental activities:										
Charges for services:										
General government administration	\$ 242,671	\$ 318,520	\$ 310,464	\$ 294,818	\$ 295,811	\$ 278,206	\$ 228,231	\$ 197,779	\$ 172,041	\$ 157,390
Judicial administration	1,011,907	1,331,838	1,369,624	1,450,925	1,540,749	1,315,495	1,121,641	664,425	703,707	1,219,108
Public safety	2,251,606	1,979,808	1,924,837	2,043,009	2,223,789	2,068,077	1,903,152	2,286,600	2,287,131	2,408,249
Public works	436,455	433,037	424,200	470,969	538,581	699,270	718,157	776,194	986,193	892,579
Parks, recreation and cultural	996,192	1,103,761	1,292,436	1,278,022	1,499,689	1,547,129	580,731	631,011	1,574,526	1,421,787
Planning and community development	336,430	377,567	277,677	226,924	276,205	216,330	132,510	165,691	157,562	116,379
Operating grants and contributions:										
General government administration	276,398	335,323	344,923	444,375	480,771	378,758	406,340	882,638	471,947	486,559
Public safety	1,340,855	-	1,093,181	1,335,099	1,890,426	1,218,981	1,762,716	2,587,849	1,095,626	1,259,384
Public works	2,459,170	1,196,520	2,548,618	2,638,335	2,700,501	2,787,324	3,078,988	3,011,088	3,017,121	3,363,002
Health and social services	-	-	-	-	-	-	-	150,628	-	-
Parks, recreation and cultural	32,500	2,449,215	801,116	810,779	844,490	4,500	890	33,209	8,391	4,500
Planning and community development	-	-	-	-	-	-	37,097	1,848,594	-	-
Capital grants and contributions:										
Public safety	-	-	-	-	600,000	1,359,022	-	-	-	-
Public works	3,193,417	7,035,270	11,132,480	11,459,648	18,189,782	11,533,207	4,631,833	8,250,412	7,636,346	5,122,055
Planning and community development	-	-	-	-	-	-	-	-	-	261,004
Total governmental activities program revenue	\$ 12,577,601	\$ 16,560,859	\$ 21,519,556	\$ 22,452,903	\$ 31,080,794	\$ 23,406,299	\$ 14,602,286	\$ 21,486,118	\$ 18,110,591	\$ 16,711,996
Business-type activities:										
Charges for services:										
Wastewater	\$ 4,752,802	\$ 6,095,415	\$ 6,346,155	\$ 7,572,436	\$ 9,000,919	\$ 9,403,803	\$ 10,611,433	\$ 8,582,159	\$ 14,488,968	\$ 11,028,590
Water	5,418,292	-	-	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-	-	2,671,305
Transportation	1,298,553	1,309,277	1,282,670	1,225,567	793,755	1,138,470	1,057,746	750,008	750,098	752,115
Operating grants and contributions:										
Wastewater	284,508	-	-	-	-	377,580	22,073	-	-	-
Water	89,845	-	-	-	-	-	-	-	-	-
Stormwater	-	-	-	-	-	-	-	-	-	448,091
Transportation	224,602	855,874	3,045,305	828,000	227,467	628,000	681,583	758,432	752,480	2,995,056
Capital grants and contributions:										
Transportation	-	-	2,536,210	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 12,068,602	\$ 8,260,566	\$ 13,210,340	\$ 9,626,003	\$ 10,022,141	\$ 11,547,853	\$ 12,372,835	\$ 10,090,599	\$ 15,991,546	\$ 17,895,157
Total primary government program revenues	\$ 24,646,203	\$ 24,821,425	\$ 34,729,896	\$ 32,078,906	\$ 41,102,935	\$ 34,954,152	\$ 26,975,121	\$ 31,576,717	\$ 34,102,137	\$ 34,607,153
Net (expense) revenue:										
Governmental activities	\$ (104,518,939)	\$ (103,476,265)	\$ (101,701,122)	\$ (103,208,605)	\$ (103,287,253)	\$ (105,844,958)	\$ (126,649,537)	\$ (114,039,342)	\$ (126,663,254)	\$ (136,937,951)
Business-type activities	(3,999,937)	(768,635)	109,585	(1,118,392)	(1,154,677)	422,247	1,048,367	(1,799,861)	2,952,160	(2,581,398)
Total primary government net expense	\$ (108,518,876)	\$ (104,244,900)	\$ (101,591,537)	\$ (104,326,997)	\$ (104,441,930)	\$ (105,422,711)	\$ (125,601,170)	\$ (115,839,203)	\$ (123,711,094)	\$ (139,519,349)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	\$ 66,643,189	\$ 68,867,941	\$ 72,363,196	\$ 76,549,453	\$ 77,535,525	\$ 78,319,253	\$ 80,676,373	\$ 83,891,346	\$ 86,216,049	\$ 92,837,860
Local sales	11,580,673	11,181,909	11,283,271	11,276,435	11,721,703	11,836,812	11,790,794	12,555,783	13,076,127	13,425,699
Business license	8,709,712	8,740,824	8,838,556	8,698,368	8,745,395	9,344,777	9,249,810	8,575,536	10,365,899	11,583,732
Consumer utility	1,653,003	1,710,251	1,660,434	1,524,189	1,607,476	1,577,007	1,500,793	1,686,103	1,570,569	1,755,559
Meals	5,703,399	5,771,239	5,918,534	5,972,064	5,967,535	6,374,777	5,501,543	5,503,374	6,829,649	8,124,128
Other local taxes	4,436,047	4,567,148	8,068,674	8,229,780	8,461,494	7,603,370	7,213,280	8,245,832	8,848,348	9,288,200
Intergovernmental, other than grants	5,674,059	5,676,034	3,428,813	3,440,176	3,486,573	5,544,011	5,439,259	5,163,619	5,367,874	5,403,525
Gain/(loss) on disposal of capital assets	-	-	-	-	-	-	-	-	-	-
Use of money and property	628,143	896,735	734,272	929,833	1,366,908	1,861,660	1,275,119	303,925	129,892	3,344,466
Miscellaneous	7,088,666	2,462,153	1,221,634	345,723	400,836	693,952	1,087,413	1,188,573	1,509,307	1,328,816
Transfers	9,248	(310,186)	(774,752)	(1,563,574)	(1,424,406)	(2,295,419)	(2,148,275)	(2,578,242)	(3,035,463)	(11,699,556)
Total governmental activities	\$ 112,126,139	\$ 109,564,048	\$ 112,742,632	\$ 115,402,447	\$ 117,869,039	\$ 120,860,200	\$ 121,586,109	\$ 124,535,849	\$ 130,878,251	\$ 135,392,429

Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Program revenue: (Continued)										
Business-type activities:										
Use of money and property	\$ 26,106	\$ 24,836	\$ 428,437	\$ 93,898	\$ 192,214	\$ 180,713	\$ 58,230	\$ 9,033	\$ 24	\$ 2,430
Special items	(12,455,040)	666,219	421,935	-	-	-	-	-	-	-
Miscellaneous	-	-	-	375,765	376,168	-	-	-	-	9,454
Transfers	(9,248)	310,186	774,752	1,563,574	1,424,406	2,295,419	2,148,275	2,578,242	3,035,463	11,699,556
Total business-type activities	\$ (12,438,182)	\$ 1,001,241	\$ 1,625,124	\$ 2,033,237	\$ 1,992,788	\$ 2,476,132	\$ 2,206,505	\$ 2,587,275	\$ 3,035,487	\$ 11,711,440
Total primary government	\$ 99,687,957	\$ 110,565,289	\$ 114,367,756	\$ 117,435,684	\$ 119,861,827	\$ 123,336,332	\$ 123,792,614	\$ 127,123,124	\$ 133,913,738	\$ 147,103,869
Changes in net position:										
Governmental activities	\$ 7,607,200	\$ 6,087,783	\$ 11,041,510	\$ 12,193,842	\$ 14,581,786	\$ 15,015,242	\$ (5,063,428)	\$ 10,496,507	\$ 4,214,997	\$ (1,545,522)
Business-type activities	(16,438,119)	232,606	1,734,709	914,845	838,111	2,898,379	3,254,872	787,414	5,987,647	9,130,042
Total primary government	\$ (8,830,919)	\$ 6,320,389	\$ 12,776,219	\$ 13,108,687	\$ 15,419,897	\$ 17,913,621	\$ (1,808,556)	\$ 11,283,921	\$ 10,202,644	\$ 7,584,520
Component units:										
Component unit - school board:										
Expenses:										
Instruction	\$ 48,786,613	\$ 50,362,924	\$ 47,936,225	\$ 48,759,533	\$ 52,232,547	\$ 53,138,471	\$ 55,365,618	\$ 54,298,377	\$ 56,138,284	\$ 60,447,198
Total expenses	\$ 48,786,613	\$ 50,362,924	\$ 47,936,225	\$ 48,759,533	\$ 52,232,547	\$ 53,138,471	\$ 55,365,618	\$ 54,298,377	\$ 56,138,284	\$ 60,447,198
Program revenues:										
Charges for services	\$ 500,072	\$ 532,062	\$ 605,906	\$ 635,693	\$ 682,418	\$ 735,198	\$ 542,198	\$ 333,364	\$ 312,547	\$ 495,584
Operating grants and contributions	7,115,499	7,562,576	7,785,439	8,168,160	7,922,539	8,365,807	8,836,196	9,212,805	10,058,657	11,851,192
Capital grants and contributions	-	-	-	-	2,252,557	-	-	-	-	-
Total program revenues	\$ 7,615,571	\$ 8,094,638	\$ 8,391,345	\$ 8,803,853	\$ 10,857,514	\$ 9,101,005	\$ 9,378,394	\$ 9,546,169	\$ 10,371,204	\$ 12,346,776
Net expense (1)	\$ (41,171,042)	\$ (42,268,286)	\$ (39,544,880)	\$ (39,955,680)	\$ (41,375,033)	\$ (44,037,466)	\$ (45,987,224)	\$ (44,752,208)	\$ (45,767,080)	\$ (48,100,422)
General revenues and other changes in net position:										
Component Unit-School Board:										
Contribution from City	\$ 37,852,745	\$ 38,700,601	\$ 35,872,072	\$ 36,603,922	\$ 38,120,686	\$ 40,367,829	\$ 41,647,072	\$ 40,465,698	\$ 41,041,104	\$ 42,880,584
Use of money and property	2,071,812	1,839,392	1,949,038	1,569,935	1,694,319	1,747,821	1,965,759	2,139,653	2,228,917	2,355,975
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total general revenues and other changes in net position	\$ 39,924,557	\$ 40,539,993	\$ 37,821,110	\$ 38,173,857	\$ 39,815,005	\$ 42,115,650	\$ 43,612,831	\$ 42,605,351	\$ 43,270,021	\$ 45,236,559
Total component unit - school board change in net position	\$ (1,246,485)	\$ (1,728,293)	\$ (1,723,770)	\$ (1,781,823)	\$ (1,560,028)	\$ (1,921,816)	\$ (2,374,393)	\$ (2,146,857)	\$ (2,497,059)	\$ (2,863,863)
Component unit - all others aggregate										
Expenses:										
Industrial Development Authority	\$ 866,228	\$ 42,028	\$ 1,025,749	\$ 860,192	\$ 973,034	\$ 992,549	\$ 979,381	\$ 977,301	\$ 1,028,089	\$ 381,718
Economic Development Authority	3,487	10,593	3,892	72,134	158,978	180,738	207,709	2,130,301	711,178	852,284
Total expenses	\$ 869,715	\$ 52,621	\$ 1,029,641	\$ 932,326	\$ 1,132,012	\$ 1,173,287	\$ 1,187,090	\$ 3,107,602	\$ 1,739,267	\$ 1,234,002
General revenues and other changes in net position										
Use of money and property	\$ 18,504	\$ 16,201	\$ 966,099	\$ 1,196,236	\$ 1,402,036	\$ 770,546	\$ 1,044,175	\$ 774,962	\$ 803,097	\$ 704,905
Miscellaneous	-	-	-	-	-	473,985	368,684	21,263	80,429	1,252,551
Contribution from City	-	-	-	-	-	-	-	2,106,750	1,507,000	92,367
Charges for services	961,636	65	-	-	-	-	-	-	54,611	54,611
Total general revenues and other changes in net position	\$ 980,140	\$ 16,266	\$ 966,099	\$ 1,196,236	\$ 1,402,036	\$ 1,244,531	\$ 1,412,859	\$ 2,902,975	\$ 2,445,137	\$ 2,104,434
Total component unit - all others aggregate change in net position	\$ 110,425	\$ (36,355)	\$ (63,542)	\$ 263,910	\$ 270,024	\$ 71,244	\$ 225,769	\$ (204,627)	\$ 705,870	\$ 870,432
Total component units change in net position	\$ (1,136,060)	\$ (1,764,648)	\$ (1,787,312)	\$ (1,517,913)	\$ (1,290,004)	\$ (1,850,572)	\$ (2,148,624)	\$ (2,351,484)	\$ (1,791,189)	\$ (1,993,431)
Total reporting entity change in net position	\$ (9,966,979)	\$ 4,555,741	\$ 10,988,907	\$ 11,590,774	\$ 14,129,893	\$ 16,063,049	\$ (3,957,180)	\$ 8,932,437	\$ 8,411,455	\$ 5,591,089

Notes:

(1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.

Program Revenues by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Function / Program	2014	2015	2016	2017	2018
Primary government:					
Governmental activities:					
General government administration	\$ 519,069	\$ 653,843	\$ 655,387	\$ 739,193	\$ 776,582
Judicial administration	1,011,907	1,331,838	1,369,624	1,450,925	1,540,749
Public safety	3,592,461	3,176,328	3,018,018	3,378,108	4,714,215
Public works	6,089,042	9,917,522	14,105,298	14,568,952	21,428,864
Health and social services	-	-	-	-	-
Parks, recreation and cultural	1,028,692	1,103,761	2,093,552	2,088,801	2,344,179
Planning and community development	336,430	377,567	277,677	226,924	276,205
Total governmental activities	<u>\$ 12,577,601</u>	<u>\$ 16,560,859</u>	<u>\$ 21,519,556</u>	<u>\$ 22,452,903</u>	<u>\$ 31,080,794</u>
Business-type activities:					
Wastewater	\$ 5,037,310	\$ 6,095,415	\$ 6,346,155	\$ 7,572,436	\$ 9,000,919
Water	5,508,137	-	-	-	-
Stormwater	-	-	-	-	-
Transportation	1,523,155	2,165,151	4,546,880	2,053,567	1,021,222
Total business-type activities	<u>\$ 12,068,602</u>	<u>\$ 8,260,566</u>	<u>\$ 10,893,035</u>	<u>\$ 9,626,003</u>	<u>\$ 10,022,141</u>
Total government	<u>\$ 24,646,203</u>	<u>\$ 24,821,425</u>	<u>\$ 32,412,591</u>	<u>\$ 32,078,906</u>	<u>\$ 41,102,935</u>
Component units:					
Component unit - school board:					
Instruction	<u>\$ 7,615,571</u>	<u>\$ 8,094,638</u>	<u>\$ 8,391,345</u>	<u>\$ 8,803,853</u>	<u>\$ 10,857,514</u>
Component unit - all others aggregate					
Industrial Development Authority	\$ 961,636	\$ 65	\$ -	\$ -	\$ -
Total nonmajor component unit	<u>961,636</u>	<u>65</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total reporting entity	<u>\$ 33,223,410</u>	<u>\$ 32,916,128</u>	<u>\$ 40,803,936</u>	<u>\$ 40,882,759</u>	<u>\$ 51,960,449</u>

Program Revenues by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Function / Program	2019	2020	2021	2022	2023
Primary government:					
Governmental activities:					
General government administration	\$ 656,964	\$ 634,571	\$ 1,080,417	\$ 643,988	\$ 643,949
Judicial administration	1,315,495	1,121,641	664,425	703,707	1,219,108
Public safety	4,646,080	3,665,868	4,874,449	3,382,757	3,667,633
Public works	15,019,801	8,428,978	12,037,694	11,639,660	9,377,636
Health and social services	-	-	150,628	-	-
Parks, recreation and cultural	1,551,629	581,621	664,220	1,582,917	1,687,291
Planning and community development	216,330	169,607	2,014,285	157,562	116,379
Total governmental activities	\$ 23,406,299	\$ 14,602,286	\$ 21,486,118	\$ 18,110,591	\$ 16,711,996
Business-type activities:					
Wastewater	\$ 9,781,383	\$ 10,633,506	\$ 8,582,159	\$ 14,488,968	\$ 11,028,590
Water	-	-	-	-	-
Stormwater	-	-	-	-	3,119,396
Transportation	1,766,470	1,739,329	1,508,440	1,502,578	3,747,171
Total business-type activities	\$ 11,547,853	\$ 12,372,835	\$ 10,090,599	\$ 15,991,546	\$ 17,895,157
Total government	\$ 34,954,152	\$ 26,975,121	\$ 31,576,717	\$ 34,102,137	\$ 34,607,153
Component units:					
Component unit - school board:					
Instruction	\$ 9,101,005	\$ 9,378,394	\$ 9,546,169	\$ 10,371,204	\$ 12,346,776
Component unit - all others aggregate					
Industrial Development Authority	\$ -	\$ -	\$ -	\$ 54,611	\$ 54,611
Total nonmajor component unit	-	-	-	54,611	54,611
Total reporting entity	\$ 44,055,157	\$ 36,353,515	\$ 41,122,886	\$ 44,527,952	\$ 47,008,540

Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (Unaudited)

	Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
General Fund:					
Nonspendable	\$ 793,671	\$ 834,723	\$ 1,037,026	\$ 1,154,363	\$ 950,369
Restricted	230,671	623,913	557,948	618,971	12,210,339
Assigned	381,377	484,181	507,402	352,661	249,088
Unassigned	15,130,848	13,429,441	14,734,868	16,931,385	17,139,651
Total General Fund	\$ 16,536,567	\$ 15,372,258	\$ 16,837,244	\$ 19,057,380	\$ 30,549,447
All Other Governmental Funds:					
Nonspendable	\$ -	\$ 61,611	\$ 5,065	\$ -	\$ -
Restricted	514,198	4,272,822	2,478,724	2,934,918	1,334,510
Committed	7,534,934	3,507,814	5,304,227	3,659,521	4,346,426
Assigned	10,788,822	9,131,829	10,280,944	9,980,238	11,657,324
Total all other government funds	\$ 18,837,954	\$ 16,974,076	\$ 18,068,960	\$ 16,574,677	\$ 17,338,260
	Fiscal Year Ended June 30,				
	2019	2020	2021	2022	2023
General Fund:					
Nonspendable	\$ 1,443,028	\$ 1,901,016	\$ 2,111,959	\$ 3,453,719	\$ 2,992,101
Restricted	11,815,202	11,493,896	15,793,451	849,386	1,153,292
Assigned	208,028	265,079	296,231	475,334	1,214,794
Unassigned	17,841,003	17,917,998	24,571,770	31,453,451	28,275,162
Total General Fund	\$ 31,307,261	\$ 31,577,989	\$ 42,773,411	\$ 36,231,890	\$ 33,635,349
All Other Governmental Funds:					
Nonspendable	\$ 408,512	\$ 51,395	\$ 148,056	\$ 4,032,428	\$ 6,303,366
Restricted	708,038	665,293	368,306	366,015	495,591
Committed	1,270,346	3,749,542	-	-	-
Assigned	15,419,282	9,436,068	7,678,202	7,314,005	4,975,796
Unassigned	-	-	(3,523,383)	(5,804,333)	(908,742)
Total all other government funds	\$ 17,806,178	\$ 13,902,298	\$ 4,671,181	\$ 5,908,115	\$ 10,866,011

**Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

	2014	2015	2016	2017	2018
Revenues:					
General property taxes	\$ 66,650,305	\$ 68,513,720	\$ 72,377,725	\$ 72,039,315	\$ 76,305,278
Other local taxes	32,082,834	31,971,371	36,900,641	36,854,900	37,660,874
Permits, privilege fees and licenses	1,612,136	1,300,349	1,584,549	1,667,130	1,905,027
Fines and forfeitures	1,113,718	1,233,802	1,232,773	1,344,266	1,408,264
Use of money and property	628,143	896,735	734,272	929,833	1,179,638
Charges for services	2,549,407	2,767,312	2,781,916	2,753,271	3,061,844
Miscellaneous	7,088,666	2,603,713	1,238,009	353,685	1,064,935
Intergovernmental	13,720,623	17,534,748	19,332,756	23,219,455	27,715,403
Total revenues	<u>\$ 125,445,832</u>	<u>\$ 126,821,750</u>	<u>\$ 136,182,641</u>	<u>\$ 139,161,855</u>	<u>\$ 150,301,263</u>
Expenditures:					
General government administration	\$ 7,858,184	\$ 11,032,996	\$ 12,772,823	\$ 10,937,883	\$ 11,367,578
Judicial administration	2,431,157	2,524,409	2,760,270	2,641,135	2,849,199
Public safety	25,324,764	25,729,580	24,755,406	26,534,586	30,513,312
Public works	22,956,008	27,421,472	30,837,567	31,592,799	36,655,857
Health and social services	5,243,811	5,499,532	5,755,718	6,021,992	6,385,447
Education	35,482,847	36,363,877	35,973,538	37,022,219	38,243,246
Planning and community development	2,139,855	6,996,194	6,492,492	6,616,398	6,863,935
Parks, recreation and cultural	6,865,979	2,390,017	2,551,354	2,530,958	2,931,699
Debt service:					
Principal	16,884,749	7,923,005	8,006,433	8,172,242	7,878,462
Interest and fiscal charges	5,806,134	5,244,669	5,131,898	5,097,492	4,293,550
Total expenditures	<u>\$ 130,993,488</u>	<u>\$ 131,125,751</u>	<u>\$ 135,037,499</u>	<u>\$ 137,167,704</u>	<u>\$ 147,982,285</u>
Excess of revenues (under) expenditures	<u>\$ (5,547,656)</u>	<u>\$ (4,304,001)</u>	<u>\$ 1,145,142</u>	<u>\$ 1,994,151</u>	<u>\$ 2,318,978</u>
Other financing sources (uses):					
Transfers in	\$ 12,756,654	\$ 8,482,156	\$ 10,595,449	\$ 16,000,826	\$ 13,539,971
Transfers out	(12,747,406)	(8,792,342)	(11,370,201)	(17,564,400)	(14,964,377)
Issuance of debt	10,258,450	1,586,000	2,189,480	-	12,309,100
Issuance of refunding bonds	-	-	-	31,658,000	-
Payment to refunded bond escrow agent	-	-	-	(31,362,724)	-
Premium on issuance debt	-	-	-	-	-
Total other financing sources (uses)	<u>\$ 10,267,698</u>	<u>\$ 1,275,814</u>	<u>\$ 1,414,728</u>	<u>\$ (1,268,298)</u>	<u>\$ 10,884,694</u>
Net changes in fund balance	<u>\$ 4,720,042</u>	<u>\$ (3,028,187)</u>	<u>\$ 2,559,870</u>	<u>\$ 725,853</u>	<u>\$ 13,203,672</u>
Debt Service as a percentage of noncapital expenditures:					
Primary government:					
Total debt service	\$ 22,690,883	\$ 13,167,674	\$ 13,138,331	\$ 13,269,734	\$ 12,172,012
Total expenditures	\$ 130,993,488	\$ 131,125,751	\$ 135,037,499	\$ 137,167,704	\$ 147,982,285
Less: Capital outlay - primary government	7,796,757	11,475,931	14,936,926	16,787,756	17,927,713
Noncapital expenditures	<u>\$ 123,196,731</u>	<u>\$ 119,649,820</u>	<u>\$ 120,100,573</u>	<u>\$ 120,379,948</u>	<u>\$ 130,054,572</u>
Debt service as a percentage of Noncapital expenditures	<u>18.42%</u>	<u>11.01%</u>	<u>10.94%</u>	<u>11.02%</u>	<u>9.36%</u>
Component units: (2)					
Expenditures:					
School board	\$ 44,900,191	\$ 46,358,234	\$ 46,212,455	\$ 46,997,710	\$ 49,120,225
All others aggregate	1,528,441	52,621	1,029,641	932,326	1,132,012
Less: Capital outlay - school board	-	-	3,726,550	3,865,264	35,589
Noncapital expenditures	<u>\$ 46,428,632</u>	<u>\$ 46,410,855</u>	<u>\$ 43,515,546</u>	<u>\$ 44,064,772</u>	<u>\$ 50,216,648</u>
Total reporting entity:					
Total noncapital expenditures (3)	<u>\$ 134,428,790</u>	<u>\$ 129,696,798</u>	<u>\$ 127,642,581</u>	<u>\$ 127,422,501</u>	<u>\$ 142,027,974</u>
Debt service as a percentage of noncapital expenditures	<u>16.88%</u>	<u>10.15%</u>	<u>10.29%</u>	<u>10.41%</u>	<u>8.57%</u>

Notes:

- (1) The amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.
- (2) In Virginia, the City issues debt to finance the construction of school facilities for the public schools because the public schools do not have borrowing or taxing authority. Therefore, the debt service payments related to school facilities are presented as debt service of that component unit. Debt service as a percentage of noncapital expenditures for the total reporting entity more appropriately reflects the unique Virginia school debt requirement.
- (3) For the reporting entity totals, the expenditures have been reduced by the amounts given to the public schools and the other component units so that the expenditures are not counted twice.

**Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

	2019	2020	2021	2022	2023
Revenues:					
General property taxes	\$ 78,208,786	\$ 80,480,776	\$ 83,717,767	\$ 86,207,650	\$ 92,841,770
Other local taxes	36,736,743	35,256,220	36,566,628	40,690,592	44,177,318
Permits, privilege fees and licenses	1,604,403	1,562,070	2,163,233	2,235,424	1,886,289
Fines and forfeitures	1,312,020	1,118,390	663,424	701,588	1,216,934
Use of money and property	1,861,660	1,275,119	303,925	129,892	3,344,466
Charges for services	3,208,084	2,003,962	1,895,043	2,944,148	3,112,269
Miscellaneous	1,443,952	1,087,413	1,188,573	1,205,336	1,384,104
Intergovernmental	22,958,723	16,224,400	22,774,938	18,505,861	16,874,907
Total revenues	<u>\$ 147,334,371</u>	<u>\$ 139,008,350</u>	<u>\$ 149,273,531</u>	<u>\$ 152,620,491</u>	<u>\$ 164,838,057</u>
Expenditures:					
General government administration	\$ 11,165,964	\$ 12,965,019	\$ 12,894,318	\$ 15,142,502	\$ 16,435,900
Judicial administration	2,312,436	2,288,540	2,035,541	2,277,280	2,283,533
Public safety	30,553,347	31,911,247	37,372,342	33,729,065	33,659,278
Public works	30,646,122	29,199,178	28,336,751	30,758,046	28,066,582
Health and social services	6,674,964	6,602,705	6,654,856	7,492,008	8,531,111
Education	39,480,138	40,411,583	39,355,298	40,349,335	41,785,228
Planning and community development	8,408,841	7,275,585	6,158,473	5,113,410	5,209,317
Parks, recreation and cultural	3,091,975	3,802,832	5,220,985	8,497,510	9,050,183
Debt service:					
Principal	7,956,523	8,576,013	9,044,835	8,833,911	9,371,804
Interest and fiscal charges	4,483,910	4,463,397	3,406,033	3,083,822	2,484,790
Total expenditures	<u>\$ 144,774,220</u>	<u>\$ 147,496,099</u>	<u>\$ 150,479,432</u>	<u>\$ 155,276,889</u>	<u>\$ 156,877,726</u>
Excess of revenues (under) expenditures	<u>\$ 2,560,151</u>	<u>\$ (8,487,749)</u>	<u>\$ (1,205,901)</u>	<u>\$ (2,656,398)</u>	<u>\$ 7,960,331</u>
Other financing sources (uses):					
Transfers in	\$ 17,425,753	\$ 8,916,980	\$ 7,427,060	\$ 23,342,361	\$ 26,413,658
Transfers out	(19,721,172)	(11,065,255)	(10,005,302)	(26,377,824)	(32,092,662)
Issuance of debt	961,000	65,773,000	23,706,000	66,904,882	80,028
Issuance of refunding bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	(59,514,289)	(17,957,552)	(66,517,608)	-
Premium on issuance debt	-	744,161	-	-	-
Total other financing sources (uses)	<u>\$ (1,334,419)</u>	<u>\$ 4,854,597</u>	<u>\$ 3,170,206</u>	<u>\$ (2,648,189)</u>	<u>\$ (5,598,976)</u>
Net changes in fund balance	<u>\$ 1,225,732</u>	<u>\$ (3,633,152)</u>	<u>\$ 1,964,305</u>	<u>\$ (5,304,587)</u>	<u>\$ 2,361,355</u>
Debt Service as a percentage of noncapital expenditures:					
Primary government:					
Total debt service	\$ 12,440,433	\$ 13,039,410	\$ 12,450,868	\$ 11,723,183	\$ 11,856,594
Total expenditures	\$ 144,774,220	\$ 147,496,099	\$ 150,479,432	\$ 155,276,889	\$ 156,877,726
Less: Capital outlay - primary government	20,473,697	13,401,040	16,178,697	13,071,663	10,062,226
Noncapital expenditures	<u>\$ 124,300,523</u>	<u>\$ 134,095,059</u>	<u>\$ 134,300,735</u>	<u>\$ 142,205,226</u>	<u>\$ 146,815,500</u>
Debt service as a percentage of Noncapital expenditures	<u>10.01%</u>	<u>9.72%</u>	<u>9.27%</u>	<u>8.24%</u>	<u>8.08%</u>
Component units: (2)					
Expenditures:					
School board	\$ 49,916,417	\$ 52,246,006	\$ 50,629,872	\$ 52,161,667	\$ 56,249,331
All others aggregate	1,173,287	1,187,090	3,107,602	1,739,267	9,244,823
Less: Capital outlay - school board	-	-	-	-	-
Noncapital expenditures	<u>\$ 51,089,704</u>	<u>\$ 53,433,096</u>	<u>\$ 53,737,474</u>	<u>\$ 53,900,934</u>	<u>\$ 65,494,154</u>
Total reporting entity:					
Total noncapital expenditures (3)	<u>\$ 136,322,636</u>	<u>\$ 147,179,047</u>	<u>\$ 149,094,159</u>	<u>\$ 157,162,110</u>	<u>\$ 170,762,811</u>
Debt service as a percentage of noncapital expenditures	<u>9.13%</u>	<u>8.44%</u>	<u>8.25%</u>	<u>7.46%</u>	<u>7.00%</u>

Notes:

- (1) The amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.
- (2) In Virginia, the City issues debt to finance the construction of school facilities for the public schools because the public schools do not have borrowing or taxing authority. Therefore, the debt service payments related to school facilities are presented as debt service of that component unit. Debt service as a percentage of noncapital expenditures for the total reporting entity more appropriately reflects the unique Virginia school debt requirement.
- (3) For the reporting entity totals, the expenditures have been reduced by the amounts given to the public schools and the other component units so that the expenditures are not counted twice.

Tax Revenues by Source, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (Unaudited)

Fiscal Year June 30,	Property	Local Sales	Business License	Consumer Utility	Meals	Tobacco	Other	Totals
2014	\$ 66,650,305	\$ 11,580,673	\$ 8,709,712	\$ 1,653,003	\$ 5,703,399	\$ 924,350	\$ 3,511,697	\$ 98,733,139
2015	68,513,720	11,181,816	8,740,824	1,710,251	5,771,329	862,776	3,704,375	100,485,091
2016	73,277,725	11,283,271	8,838,556	1,660,434	5,918,534	853,890	3,795,712	105,628,122
2017	75,138,320	11,276,435	8,698,368	1,524,189	5,972,064	807,025	6,431,612	109,848,013
2018	76,305,278	11,721,703	8,745,395	1,607,476	5,967,535	718,296	4,423,666	109,489,349
2019	78,208,786	11,836,812	9,344,777	1,577,007	6,374,777	600,325	7,003,045	114,945,529
2020	80,480,776	11,790,794	9,249,810	1,500,793	5,501,543	566,145	6,647,135	115,736,996
2021	83,717,767	12,555,783	8,575,536	1,686,103	5,503,374	518,370	7,727,462	120,284,395
2022	86,207,650	13,076,127	10,365,899	1,570,569	6,829,649	490,689	8,357,659	126,898,242
2023	92,841,770	13,425,699	11,583,732	1,755,559	8,124,128	491,713	8,796,487	137,019,088
Change 2014-2023	39.30%	15.93%	33.00%	6.20%	42.44%	-46.80%	150.49%	38.78%

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Real Estate:

Fiscal Year June 30,	Residential Property	Direct Tax Rate	Commercial Property	Direct Tax Rate	Public Service Corporation	Nontaxable	Total Assessed Value	Total Taxable Assessed Value
2014	\$ 3,463,135,200	\$ 1.040	\$ 2,085,815,600	\$ 1.040	\$ 88,183,403	\$ 499,269,600	\$ 6,136,403,805	\$ 5,637,134,203
2015	3,624,478,000	1.052	2,068,542,000	1.052	92,174,117	496,129,000	6,281,323,117	5,785,194,117
2016	3,738,914,500	1.062	2,113,115,000	1.062	96,221,309	501,853,000	6,450,103,809	5,948,250,809
2017	3,822,160,300	1.060	2,119,723,700	1.060	97,739,044	529,977,400	6,569,600,444	6,039,623,044
2018	3,967,151,300	1.060	2,127,875,000	1.060	97,739,044	529,185,500	6,721,950,844	6,192,765,344
2019	4,044,043,800	1.075	2,195,140,900	1.075	97,302,622	595,269,200	6,931,756,522	6,336,487,322
2020	4,119,630,100	1.075	2,320,364,200	1.075	100,505,611	608,316,500	7,148,816,411	6,540,499,911
2021	4,362,131,700	1.075	2,319,509,940	1.075	102,534,552	591,414,400	7,375,590,592	6,784,176,192
2022	4,772,528,300	1.010	2,438,116,700	1.010	106,905,971	614,790,000	7,932,340,971	7,317,550,971
2023	5,011,800,200	1.025	2,625,290,000	1.025	107,525,651	639,042,200	8,383,658,051	7,744,615,851

Source: Real Estate Assessor's Office

- Notes:
- 1) Real Estate assessments are on a calendar year basis. Values are reflective of published 2023 Land Books.
 - 2) Commercial property values include commercial, industrial & apartments
 - 3) "Nontaxable" is interpreted to mean tax exempt properties.
 - 4) Total Assessed Value category includes real estate, public service corporations and exempt properties.
 - 5) Total taxable assessed value includes real estate and public service corporation properties.
 - 6) 2023 Public Service Corporation, assessed by the State Corporation Commission not yet available as of date of this document.

Personal Property:

January 1,	Individual and Business Tangible Personal Property	Tangible Personal Property of Public Service Corporations	Total
2013	\$ 296,769,572	\$ 16,685,097	\$ 313,454,669
2014	297,680,651	19,729,132	317,409,783
2015	323,521,079	18,548,653	342,069,732
2016	372,862,745	18,548,653	391,411,398
2017	342,695,260	17,931,514	360,626,774
2018	355,000,626	16,617,697	371,618,323
2019	368,555,474	24,324,318	392,879,792
2020	347,535,331	20,114,426	367,649,757
2021	396,719,410	21,107,556	417,826,966
2022	442,538,135	20,033,400	462,571,535

Source: Commissioner of the Revenue

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Real Estate:

Fiscal Year June 30,	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
2014	3.8%	\$ 1.040	\$ 5,637,134,203	100%
2015	2.6%	1.052	5,785,194,117	100%
2016	2.8%	1.062	5,948,250,809	100%
2017	1.5%	1.060	6,039,623,044	100%
2018	2.5%	1.060	6,192,765,344	100%
2019	2.3%	1.075	6,336,487,322	100%
2020	3.2%	1.075	6,540,499,911	100%
2021	3.7%	1.075	6,784,176,192	100%
2022	7.9%	1.010	7,317,550,971	100%
2023	5.8%	1.025	7,744,615,851	100%

Source: Real Estate Assessor's Office

- Notes:
- 1) Real Estate assessments are on a calendar year basis. Values are reflective of published 2023 Land Books.
 - 2) Commercial property values include commercial, industrial & apartments
 - 3) "Nontaxable" is interpreted to mean tax exempt properties.
 - 4) Total Assessed Value category includes real estate, public service corporations and exempt properties.
 - 5) Total taxable assessed value includes real estate and public service corporation properties.
 - 6) 2023 Public Service Corporation, assessed by the State Corporation Commission not yet available as of date of this document.

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u> <u>June 30,</u>	<u>Real</u> <u>Estate</u>	<u>Personal</u> <u>Property</u>
2014	\$ 1.040	\$ 4.13
2015	1.052	4.13
2016	1.062	4.13
2017	1.060	4.13
2018	1.060	4.13
2019	1.075	4.13
2020	1.075	4.13
2021	1.075	4.13
2022	1.075	4.13
2023	1.010	4.13

Note:

(1) The City of Fairfax has no overlapping tax rates (Cities in the Commonwealth of Virginia are not part of Counties, and Cities have no political subdivisions).

Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage (%) of Total City	Taxable Assessed Value	Rank	Percentage (%) of Total City
			Taxable Assessed Value			Taxable Assessed Value
Combined Properties (1)	\$ 244,424,100	1	3.16%	\$ 55,360,300	4	0.98%
Van Metre (2)	133,840,900	2	1.73%	94,012,600	2	1.67%
Fairfield Fairfax Gateway	132,923,300	3	1.72%	-	-	-
Capstone-Fairfax LLC	110,000,000	4	1.42%	-	-	-
Fair City HHH	94,784,700	5	1.22%	81,262,600	3	1.44%
Crow Holdings (3)	60,305,400	6	0.78%	-	-	-
Regency Centers (4)	48,512,400	7	0.63%	29,326,300	10	0.52%
GI ETS Fairfax LLC	45,023,400	8	0.58%	-	-	-
Avalon at Providence Park LLC	43,298,400	9	0.56%	31,617,400	9	0.56%
Willowwood Office Owner LLC	35,004,500	10	0.45%	-	-	-
Boulevard VI Development LLC (IDI)	-	-	-	-	-	-
RKB/RPB Willowwood LLC (I, II)	-	-	-	98,439,500	1	1.75%
Army Navy Country Club	-	-	-	53,815,700	5	0.95%
Saul Holdings, LP	-	-	-	34,012,800	6	0.60%
JDC LLC's	-	-	-	-	-	-
CH Realty III/Old Town	-	-	-	33,117,800	7	0.59%
CH Realty VI/R Fairfax	-	-	-	32,432,600	8	0.58%
Total	\$ 948,117,100		12.24%	\$ 543,397,600		9.64%

Source:

Real Estate Assessments

*Taxable Assessed Values are based on 2023 Land Book

(1) Combined Properties include: (Courthouse, Fairfax Circle, LLC & Turnpike LLC)

(2) Van Metre properties include: (Fairfax Square Apts., Belleau Wood & VM Mid-Rise)

(3) Crow Holdings properties include: (CH Realty III & Main Street Retail Partners, L.L.C.)

(4) Regency Centers properties include: (USRP I & Fairfax Regency LLC)

Real Property Tax Levies And Collections
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 59,363,005	\$ 58,015,432	97.73%	-	\$ 58,015,432	97.73%
2015	60,183,528	58,867,230	97.81%	-	58,867,230	97.81%
2016	62,690,196	61,955,837	98.83%	-	61,955,837	98.83%
2017	64,546,058	63,867,036	98.95%	161	63,867,197	98.95%
2018	66,148,234	65,294,566	98.71%	355	65,294,921	98.71%
2019	68,324,114	67,250,029	98.43%	325	67,250,354	98.43%
2020	70,519,826	69,612,485	98.71%	4,129	69,616,614	98.72%
2021	73,371,537	72,284,423	98.52%	12,645	72,297,068	98.54%
2022	74,818,577	73,508,112	98.25%	948,387	74,456,499	99.52%
2023	78,571,132	77,873,224	99.11%	580,833	78,454,058	99.85%

Source:
 City of Fairfax Treasurer's Office.

Ratios of Outstanding Debt by Type and General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Governmental Activities						Business-Type Activities			Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Public Improvement COPS	Subscription Liabilities	Lease Liabilities	Equipment Financing Agreements	Revenue Bonds	Notes Payable			
2014	\$ 100,033,400	\$ 36,114,928	\$ 7,250,000	\$ 12,573,100	\$ -	\$ -	\$ 3,956,280	\$ 24,701,945	\$ 19,635,079	\$ 204,264,732	12.06%	\$ 7,976
2015	94,565,323	34,912,827	7,250,000	10,925,800	-	-	4,818,092	24,193,910	-	176,665,952	9.94%	7,447
2016	89,550,655	33,660,725	6,750,000	10,134,800	-	-	5,793,139	23,660,875	-	169,550,194	9.21%	7,024
2017	84,625,958	41,910,623	6,240,000	-	-	-	4,871,973	23,102,840	-	160,751,394	8.48%	6,653
2018	79,371,261	40,364,523	5,720,000	11,361,000	-	-	4,718,611	22,514,805	-	164,050,200	8.26%	6,676
2019	75,384,778	37,782,421	5,185,000	11,185,000	-	-	4,521,088	22,619,060	-	156,677,347	7.62%	6,307
2020	71,585,720	40,033,827	5,790,000	10,984,000	-	-	3,461,075	21,897,285	-	153,751,907	6.94%	6,053
2021	66,836,760	37,735,943	10,830,000	10,778,000	-	-	2,707,666	21,140,510	-	150,028,879	7.40%	6,087
2022	62,465,800	35,347,059	10,260,000	10,055,000	-	173,065	2,131,285	20,443,735	-	140,875,944	6.54%	5,742
2023	57,607,840	32,894,175	9,675,000	9,313,000	548,097	131,658	1,539,055	34,127,236	-	145,836,061	6.35%	6,007

General bonded debt outstanding:

Fiscal Year June 30,	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
2014	\$ 95,983,000	1.70%	3,934
2015	94,565,323	1.58%	3,795
2016	89,550,655	1.51%	3,683
2017	83,084,834	1.38%	3,439
2018	77,902,596	1.26%	3,170
2019	75,384,778	1.19%	3,035
2020	71,585,720	1.09%	2,818
2021	66,836,760	0.99%	2,712
2022	62,465,800	0.85%	2,546
2023	57,607,840	0.74%	2,373

Notes:

- (1) Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.
- (2) Population and personal income data can be found in table 14
- (3) See table 7 for property value data
- (4) The Lease Revenue Bonds under the Governmental Activities will be repaid with general government resources
- (5) Premiums have been incorporated for the General Obligation, Lease Revenue and Business-type Activities Revenue Bonds.

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 563,713,420	\$ 578,519,412	\$ 594,825,081	\$ 603,962,304	\$ 619,276,534
Total net debt applicable to limit	<u>159,927,708</u>	<u>152,472,042</u>	<u>145,889,319</u>	<u>137,648,554</u>	<u>141,535,395</u>
Legal debt margin	<u>\$ 403,785,712</u>	<u>\$ 426,047,370</u>	<u>\$ 448,935,762</u>	<u>\$ 466,313,750</u>	<u>\$ 477,741,139</u>
Total net debt applicable to the limit as a percentage of debt limit	28.37%	26.36%	24.53%	22.79%	22.85%

Legal debt margin calculation for fiscal year 2022

Assessed value of real estate	<u>\$ 7,744,615,851</u>
Debt limit (10% of assessed value)	\$ 774,461,585
Debt applicable to limit:	
Net direct debt outstanding	<u>111,160,728</u>
Legal debt margin	<u>\$ 663,300,857</u>

Notes:

- (1) Net direct debt excludes debt service on bond issues supported by revenues of the water and sewer systems. Revenues of the water and sewer system have been sufficient to cover debt service on such bonds.
- (2) Under the City Charter and Constitution of Virginia, the City may not issue bonds in excess of 10% of assessed valuation. Self-supporting debt is not included in this calculation.

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Debt limit	\$ 633,648,732	\$ 654,049,991	\$ 678,417,619	\$ 731,755,097	\$ 774,461,585
Total net debt applicable to limit	<u>134,058,287</u>	<u>131,854,622</u>	<u>128,888,369</u>	<u>120,432,209</u>	<u>111,160,728</u>
Legal debt margin	<u>\$ 499,590,445</u>	<u>\$ 522,195,369</u>	<u>\$ 549,529,250</u>	<u>\$ 611,322,888</u>	<u>\$ 663,300,857</u>
Total net debt applicable to the limit as a percentage of debt limit	21.16%	20.16%	19.00%	16.46%	14.35%

Summary of outstanding debt:	<u>2023</u>
Public Improvement COPS	9,313,000
General Obligation Bonds	57,607,840
Lease Revenue Bonds	32,894,175
Notes payable	9,675,000
Other	<u>1,670,713</u>
	<u>111,160,728</u>

Notes:

- (1) Net direct debt excludes debt service on bond issues supported by revenues of the water and sewer systems. Revenues of the water and sewer system have been sufficient to cover debt service on such bonds.
- (2) Under the City Charter and Constitution of Virginia, the City may not issue bonds in excess of 10% of assessed valuation. Self-supporting debt is not included in this calculation.

Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Wastewater Revenue Bonds						Coverage
	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2014	\$ 5,028,442	\$ 3,394,380	\$ 1,634,062	\$ -	\$ 1,389,374	1.18	
2015	5,709,968	3,590,163	2,119,805	-	1,374,096	1.54	
2016	6,542,169	4,572,541	1,969,628	510,000	1,327,204	1.07	
2017	7,666,334	4,784,304	2,882,030	535,000	1,302,896	1.57	
2018	9,193,133	4,394,388	4,798,745	656,000	1,282,189	2.48	
2019	9,584,516	4,173,762	5,410,754	595,000	1,275,064	2.89	
2020	10,691,736	4,352,822	6,338,914	625,000	784,922	4.50	
2021	8,642,609	4,478,673	4,163,936	660,000	797,005	2.86	
2022	14,541,565	4,449,858	10,091,707	600,000	764,469	7.40	
2023	11,031,020	4,521,722	6,509,298	630,000	1,052,821	3.87	

Notes:

- (1) Total utility service charges include interest and transfers in from other funds, but do not include developer contributions.
- (2) Total operating expenses are exclusive of depreciation, amortization, interest expense and losses on disposition of assets.
- (3) The 2008 Water revenue bond was paid off in FY14 after the sale of the water utility, and the 2010 VRA bond was transferred to the Wastewater Fund (approved by VRA). Prior to the sale, some of the debt service for these two bonds was paid from the water fund, but 100% of the VRA bond debt service is presented in the Wastewater Fund here.

Demographic and Economic Statistics
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year June 30,	Population (1)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2014	23,207	\$ 64,200	3,078	4.00%
2015	23,364	68,000	3,160	3.50%
2016	23,520	67,000	3,106	3.00%
2017	23,677	69,400	3,081	2.80%
2018	23,833	71,300	3,079	2.30%
2019	23,990	76,500	3,004	2.10%
2020	24,146	81,600	3,040	5.80%
2021	24,107	86,629	2,840	3.40%
2022	24,003	89,397 *	2,900	2.50%
2023	24,276 *	94,677 *	2,835 *	2.20% *

Notes:

*Estimated by City of Fairfax

- (1) Population updated from 2020 US Census Bureau results and annual population estimates. 2023 population estimated by City staff. 2014-20 population estimated by City staff based on avg. annual rate of change.
- (2) Personal income is published annually (with a 2-year delay) by the BEA. The most recent available figures are for 2021 (released in November 2022).
- (2) To estimate personal income for 2022 & 2023, an estimated annual change in personal income was projected based on the average of the previous five years' increases.
- (2) The BEA agglomerates the City of Fairfax with Fairfax County and the City of Falls Church in its reporting of personal income. To separate City data, the proportion of City/County income as estimated by the Census ACS was applied to the BEA per capita income figure.
- (3) Average Daily Membership "ADM" as reported in City of Fairfax annual budget.
- (4) US Bureau of Labor Statistics, Local Area Unemployment Statistics.
- (4) Unemployment rates are annual averages. 2023 unemployment rate is estimated by averaging all available months (Jan-Jul) of 2023 data.

Principal Private Sector Employers
 Current Year and Nine Years Ago
 (Unaudited)

Employer (1)	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Fairfax	250-499	1	2.57%	397	3	2.06%
Zeta Associates	250-499	2	1.61%	275	6	1.43%
Ted Britt Ford	250-499	3	1.61%	300	5	1.56%
Tradesource	250-499	4	1.61%	-	-	-
Community Systems	100-249	5	0.75%	-	-	-
Sentry Force	100-249	6	0.75%	-	-	-
Premium Home Health Care	100-249	7	0.75%	-	-	-
Home Depot	100-249	8	0.75%	-	-	-
Nova Home Health Care LLC	100-249	9	0.75%	-	-	-
NAB Home Care	100-249	10	0.75%	-	-	-
The Wackenhut Corporation	-	-	-	410	1	2.13%
Fairfax Nursing Center	-	-	-	400	2	2.07%
Inova Health System	-	-	-	390	4	2.02%
Multivision, Inc.	-	-	-	150	7	0.78%
Wal Mart	-	-	-	150	8	0.78%
Fairfax Volkswagen, Honda	-	-	-	150	9	0.78%
Dominion Virginia Power	-	-	-	150	10	0.78%
Total			<u>11.90%</u>			<u>14.39%</u>
Average Total Employment			23,319			19,291

Sources:

City of Fairfax Commissioner of the Revenue's Office.

Full-Time Equivalent City Government Employees By Function/Program
 Last Ten Fiscal Years
 (Unaudited)

Function/program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
City Clerk	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Electoral Board	2.50	2.50	2.50	2.50	2.50	2.50	3.00	3.00	3.00	3.00
City Manager	3.00	3.00	3.00	3.00	2.50	2.50	2.50	3.00	3.00	3.50
Personnel	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00
Community Relations	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.25
Marketing	0.50	0.50	0.50	0.50	0.50	-	-	-	-	-
Cable TV	1.75	1.75	1.75	1.75	1.75	2.00	2.00	2.00	2.00	2.00
Information Technology	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00	11.00
Printing & Office Supplies	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Motor Pool	12.00	12.00	12.00	12.00	12.00	12.75	12.75	12.75	13.00	13.00
Finance & Accounting	7.50	7.50	7.50	7.50	8.50	8.50	8.50	8.50	9.50	11.00
Real Estate Assessment	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Treasurer	7.75	7.75	7.75	7.75	8.75	8.75	8.75	8.75	8.75	8.75
Commissioner of Revenue	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Police Department	90.25	90.25	89.25	89.00	89.00	89.00	89.00	88.75	88.75	88.75
Fire Department	80.00	80.00	80.00	80.00	80.00	80.00	83.00	82.00	83.00	85.50
Public Works	77.20	76.10	76.10	76.95	78.95	78.95	79.45	79.45	79.45	74.80
Social Services	0.62	0.62	0.62	0.62	0.62	1.00	1.00	1.00	1.00	1.75
Parks & Recreation	19.88	19.38	20.38	20.63	20.38	20.88	20.88	20.88	20.88	21.13
Historic Resources	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	4.10
Planning & Design	16.50	17.50	17.50	17.50	16.50	17.00	16.50	16.50	16.50	16.00
Economic Development	1.00	1.00	1.00	1.00	1.50	2.50	2.50	2.00	3.50	4.50
Education	1.90	1.85	1.85	1.85	1.85	1.85	1.85	1.85	2.50	2.50
Wastewater	9.10	9.20	9.20	8.35	8.35	8.35	8.15	8.15	9.15	9.40
Water	0.00	0.00	0.00	0.00	0.00	-	-	-	-	-
Stormwater	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	1.70	14.60
Transit	30.50	33.25	33.25	33.25	33.25	33.25	33.45	33.45	33.45	33.70
Total	<u>397.10</u>	<u>399.30</u>	<u>399.30</u>	<u>399.30</u>	<u>402.05</u>	<u>405.93</u>	<u>409.43</u>	<u>409.18</u>	<u>416.58</u>	<u>432.73</u>

Source:
 City Budget Office.

Operating Indicators By Function/Program
Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016	2017	2018
<u>GENERAL GOVERNMENT:</u>					
Public Works					
Homes Served - Refuse Collection	6,498	6,498	6,498	6,473	6,512
Elections					
Registered Voters	15,372	15,496	14,887	15,995	15,841
# of Votes cast last General Election	7,120	7,052	4,743	12,077	8,318
% of Registered Voters last General Election	46.32%	45.51%	31.86%	75.50%	52.51%
Parks and Recreation					
Old Town Hall Rentals	153	160	165	165	151
Total Unique Recreation Programs	252	238	242	248	255
Total Recreation Programs	428	458	475	490	495
Day Camp program participants	727	938	956	1,040	1,148
Community Development and Planning					
Board of Architectural Review (BAR) Applications	62	81	57	67	60
Enforcement Citations	458	450	450	450	450
Land Use Applications	30	41	24	19	15
Development Plans & Subdivisions	59	56	40	42	46
Economic Development					
Vacancy Rate - Office Space	13.90%	15.00%	13.50%	12.90%	12.50%
Vacancy Rate - Retail Space	3.20%	3.60%	3.00%	4.30%	4.90%
<u>SCHOOLS:</u>					
Education					
Average Daily Membership	3,078	3,160	3,125	3,081	3,079
Elementary - Kindergarten	240	208	245	225	246
Elementary - (1-6)	1,351	1,415	1,361	1,357	1,368
Secondary - (7-12)	1,487	1,537	1,519	1,499	1,523
Tuition Cost Per Student	\$ 13,632	\$ 13,782	\$ 13,872	\$ 14,438	\$ 14,825
<u>PUBLIC SAFETY:</u>					
Police Department					
Cases Assigned	234	220	225	245	220
Cases Closed	175	165	155	118	145
Calls for Service	14,186	15,027	14,981	13,721	13,202
Criminal Arrests	1,326	1,192	1,092	986	873
Fire Department					
Staff Training Hours	12,022	8,566	16,775	14,010	18,741
Responses to Fire Incidents	2,273	2,320	2,200	2,312	2,540
Responses to EMS Incidents	4,330	4,311	4,317	4,187	4,445
Plans reviewed	1,003	884	1,023	1,194	1,138
Building Permits Issued	578	503	564	779	356
Cost Associated with Building Permits	\$ 30,308,610	\$ 27,034,602	\$ 33,430,366	\$ 121,674,456	\$ 157,500,340
<u>TRANSIT:</u>					
Total Ridership	832,481	766,708	678,967	646,096	605,962

Notes:

Source: City Annual Operating Budget & Comprehensive Annual Financial Report

* - information not available (not tracked)

Notes:

The City outsourced Wastewater billing to Fairfax County Water Authority in conjunction with the sale of the water utility in F/Y 14. Operating indicators were not readily available from Fairfax Water for June 30, 2014.

Operating Indicators By Function/Program
Last Ten Fiscal Years
(Unaudited)

	2019	2020	2021	2022	2023
<u>GENERAL GOVERNMENT:</u>					
Public Works					
Homes Served - Refuse Collection	6,530	6,490	6,520	6,555	6,555
Elections					
Registered Voters	16,364	16,424	17,190	17,493	17,493
# of Votes cast last General Election	10,548	6,198	13,567	10,183	9,667
% of Registered Voters last General Election	64.40%	40.90%	78.90%	62.00%	55.26%
Parks and Recreation					
Old Town Hall Rentals	155	20	45	42	86
Total Unique Recreation Programs	262	30	150	162	143
Total Recreation Programs	503	50	250	274	361
Day Camp program participants	1,184	none	750	1,693	1,644
Community Development and Planning					
Board of Architectural Review (BAR) Applications	80	57	42	43	44
Enforcement Citations	*	*	*	*	*
Land Use Applications	18	20	13	20	49
Development Plans & Subdivisions	32	66	63	48	128
Economic Development					
Vacancy Rate - Office Space	11.50%	10.10%	10.50%	9.60%	9.10%
Vacancy Rate - Retail Space	5.30%	5.30%	4.10%	2.40%	2.30%
<u>SCHOOLS:</u>					
Education					
Average Daily Membership	3,004	3,001	2,840	2,857	2,834
Elementary - Kindergarten	210	224	164	215	196
Elementary - (1-6)	1,270	1,275	1,264	1,232	1,279
Secondary - (7-12)	1,524	1,502	1,460	1,410	1,346
Tuition Cost Per Student	\$ 15,700	\$ 16,229	\$ 16,783	17,129	18,772
<u>PUBLIC SAFETY:</u>					
Police Department					
Cases Assigned	204	230	228	224	303
Cases Closed	147	170	198	233	191
Calls for Service	13,622	14,580	12,457	14,616	14,851
Criminal Arrests	952	984	587	540	759
Fire Department					
Staff Training Hours	13,354	13,389	14,450	20,003	26,981
Responses to Fire Incidents	2,735	2,529	2,071	2,437	2,763
Responses to EMS Incidents	4,177	4,447	3,159	4,749	5,393
Plans reviewed	951	823	840	954	979
Building Permits Issued	359	292	589	339	456
Cost Associated with Building Permits	\$ 50,481,255	\$ 31,944,639	\$ 123,797,875	37,059,033	167,899
<u>TRANSIT:</u>					
Total Ridership	606,000	488,602	480,000	471,899	854,194

Capital Asset Statistics By Function/Program
Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>GENERAL GOVERNMENT</u>										
Parks and Recreation										
Acres of Parks	283	286	286	286	286	286	286	286	286	286
Number of Major Parks	9	10	10	11	11	11	11	11	11	11
Number of Neighborhood Parks	15	15	15	15	15	15	15	15	15	15
Public Works										
Vehicle Availability (%)	90%	88%	90%	95%	97%	98%	98%	98%	98%	96%
Vehicle Repair Orders	2,872	3,112	3,670	3,650	3,966	3,950	4,000	4,100	4,150	3,450
Total Fleet	653	661	692	642	648	650	650	650	652	695
Miles of Streets - Primary	15.5	15.5	15.5	15.4	15.4	16.0	16.0	16.0	16.5	17.0
Miles of Streets - Secondary	56.5	56.5	56.5	56.1	56.3	57.0	57.0	57.0	57.0	57.5
Number of Street Lights	2,967	2,967	2,967	2,967	2,967	2,980	3,000	3,050	3,055	3,080
<u>PUBLIC SAFETY</u>										
Police										
Number of Stations*	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations**	1	1	1	1	1	1	1	1	1	1
<u>UTILITIES:</u>										
Sewer										
Sanitary Sewers (miles)	100	100	100	108	108	108	108	108	108	108
<u>TRANSIT:</u>										
Number of Buses	12	12	12	12	12	12	12	12	12	12

Notes:

Source: City Annual Operating Budget & City Departments

* - Police now has the firing range which is a separate building for fire arms training.

** - The Fire Department operates from two fire stations, one of which is owned by the volunteer organization.



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Honorable Members of
the City Council
City of Fairfax, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Fairfax, Virginia's basic financial statements, and have issued our report thereon dated December 11, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fairfax, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairfax, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fairfax, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia

December 11, 2023



**Independent Auditors' Report on Compliance For Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

To the Honorable Members of
the City Council
City of Fairfax, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Fairfax, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Fairfax, Virginia's major federal programs for the year ended June 30, 2023. City of Fairfax, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Fairfax, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Fairfax, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Fairfax, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Fairfax, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Fairfax, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Fairfax, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Fairfax, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Fairfax, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Fairfax, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control over Compliance: (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 11, 2023

CITY OF FAIRFAX, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF TRANSPORTATION:			
<u>Pass through payments:</u>			
Virginia Department of Transportation: Highway Planning and Construction	20.205	112816/105573/109299/ 115545/115547/113614 109811/118234/119590 119089	\$ 4,079,033
Virginia Department of Motor Vehicles: Alcohol Open Container Requirements	20.607	FM6OT202353393	1,593
Highway Safety Cluster: National Priority Safety Programs	20.616	FM6OT202252391	1,492
State and Community Highway Safety	20.600	FM6OT202353393/ FSC202252406	2,639
Total Highway Safety Cluster			<u>\$ 4,131</u>
Total Department of Transportation			<u>\$ 4,084,757</u>
DEPARTMENT OF TREASURY:			
<u>Pass through payments:</u>			
Virginia Department of Accounts: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	12110	\$ 261,004
Total Department of Treasury			<u>\$ 261,004</u>
DEPARTMENT OF HOMELAND SECURITY:			
<u>Direct payments:</u>			
Homeland Security Grant Program	97.067	N/A	\$ 15,072
<u>Pass through payments:</u>			
Virginia Department of Emergency Management: Homeland Security Grant Program	97.067	120478	46,450
Total 97.067			<u>\$ 61,522</u>
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	116792	198,977
Emergency Management Performance Grants	97.042	120355	7,500
Total Department of Homeland Security			<u>\$ 267,999</u>
Total expenditures of federal awards			<u><u>\$ 4,613,760</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Fairfax, Virginia under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Fairfax, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fairfax, Virginia.

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The City did not elect to use the 10% de minimis indirect cost rate.
- (4) The City did not pass any federal awards through to subrecipients during the year ended June 30, 2023.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
Governmental Funds	\$ <u>4,613,760</u>
Total primary government	\$ <u>4,613,760</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>4,613,760</u></u>

CITY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)?	No

Identification of major programs:

Assistance
Listing

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Audit Findings

There were no prior year audit findings.